

## Relations between the European Community and Central America in the 1990s:

### Continuity, Reactivation or Change?<sup>1</sup>

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In September 1984, in San José, Costa Rica, the first of a series of annual meetings between the governments of Central America and those of the European Community took place. The *Primera Conferencia Ministerial entre los Países de la Comunidad Europea, España y Portugal, Centroamérica y el Grupo de Contadora* inaugurated an intense process of political and economic dialogue that has continued to the present. Through the nine meetings held between 1984 and 1993, which constitute the *San José dialogue*, Central America has been the object of considerable political attention on the part of the European Community, and has become a full partner in the emerging Community foreign policy. The dialogue, new in the sense that it had no precedent in the previous decade, and unique in that for a long time there have been no similar relations with other regions of Latin America, raised considerable expectations, has had a high political profile and some economic back-up. Development cooperation, significant though modest, shows the high priority enjoyed by Central America in the context of the Community's relations with Latin America.

The dynamic and agenda of the San José dialogue have both obviously been influenced by the changes in the international and regional scene — especially since 1990 — and by the evolution of the interests and perceptions of the participants. Insofar as the situations and motivations that gave rise to the San José dialogue are being overtaken by events, the 1990s pose various questions about its nature, orientation and content. Are the factors that led to the closer relations between the two regions still operative? Where is the San José dialogue going? Can we expect in the 1990s a new

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impulse or a new qualitative leap in relations between Central America and the European Community similar in scale to that of the previous decade? What new issues are appearing on the agenda? Are there tendencies for change in direction and content of development cooperation?

This chapter seeks to provide material for an answer to these questions. Its conclusions will inevitably be provisional, since an analysis of the recent ministerial meetings indicates tendencies rather than hard facts. Since the key to understanding the present lies to some extent in an analysis of the past, it is necessary first to examine the origin and motivations of the dialogue between the Community and Central America in the 1980s. This is the subject of the first part of the chapter. Part 2 examines the evolution of the dialogue over the ten years for which it has continued, with particular attention to the 1993 ministerial meeting. Part 3 suggests what may be the future tendencies of the dialogue and its agenda. Finally there are some suggested areas of work for non-governmental development organisations (NGDOs) that see in the San José dialogue possibilities for positive action in support of peace, democracy, development and respect for human rights in Central America and are engaged in lobbying activities to this end.

# 1. Motives and interests in the dialogue between the European Community and Central America

## *Mutual ignorance in the 1970s*

As was mentioned, the increased political profile of the San José dialogue — meetings at ministerial level at yearly intervals — is surprising, first because of the mutual ignorance, the absence of political relations, that marked the previous decades, and the asymmetry of economic relations. In the 1970s relations between the European Community and Latin America were limited to the signing of non-preferential trade agreements of a clearly bilateral nature with larger countries of greater importance for Europe (Argentina, Uruguay, Brazil, Mexico). Despite the common experience of regional integration, it was only in 1977 that the first contacts were established with the Central American Common Market (CACM) and the Andean Group, and modest programmes of cooperation were started with the *less advanced* countries of the isthmus, Nicaragua and Honduras. Around 1981 the Community, through a series of regular contacts in Brussels, established the so-called *renewed*

*dialogue*, a term indicating the desire for closer relations with Latin America. This dialogue, however, was interrupted because of the support given by the member states to the United Kingdom in the Malvinas/Falklands war.<sup>2</sup>

Various factors explain this mutual ignorance, and it is worth devoting some space to them, since they form the backdrop against which the San José dialogue was established. First to be mentioned are the traditional politico-strategic perceptions of the European Community, whose members were part of the Western defence system, in a subordinate position to the United States, through NATO. In terms of these perceptions, Central America was a *zone of influence* reserved to the United States. A European intervention in the region would be impossible because it would threaten relations within the Western alliance, and undesirable because of the absence of important European strategic interests in the area.<sup>3</sup>

Secondly, these perceptions were reinforced by the absence of significant commercial interests and the asymmetrical character of economic relations. Central America has traditionally represented a very small fraction of Community overseas trade, direct investment and credits, though the EC is an important creditor, customer and supplier for the countries of the isthmus (see Table 1).<sup>4</sup> The asymmetry of commercial relations is even more evident if one looks at the composition of the two-way trade, and its institutional aspects. Sugar, bananas, coffee, meat and cotton represent, together, 96 per cent of Central American exports to the Community. These exports have been characterised — except in the case of bananas — by their sluggishness, as a result of low demand elasticity, and competition from countries enjoying the trade preferences built into the Lomé agreements. The region exports hardly any manufactured products or intermediate goods, and as a result cannot benefit from the Community's General System of Preferences (GSP), which, since 1971 has provided for reciprocal tariff preferences for processed agricultural products and semi-finished and finished industrial goods from 128 developing countries. Of Community exports to Central America, on the other hand, 80 per cent were high added value items, mainly intermediate goods such as machinery, chemicals, high technology products and processed foods.<sup>5</sup> The limitations on trade between Europe and Central America are not simply the result of the limited range of Central American export commodities, but also of the tariff and non-tariff barriers the Community erects against the region's products. As the United Nations noted in 1989, the Community has used barriers or discriminatory measures against Central American products: reference prices in the case of

tuna, prawns, vegetables, yams and fresh fruit, variable duties in the case of maize and molasses, and duties and quotas for vegetables. Member states of the Community may additionally require licences or import deposits, or apply internal duties to products such as bananas, as well as quotas on textiles and garments, in this case within the framework of the Multifibre Agreement.<sup>6</sup>

Another factor is the regional rather than worldwide emphasis of the Community's cooperation policies. Priority has been given to relations with Africa, the Caribbean countries and certain Asian and Mediterranean countries, which include some of the Community's main raw materials suppliers and export markets in the developing world. This relationship is based on preferential agreements of a contractual nature which include trade preferences, price stabilisation systems for exports of primary products,<sup>7</sup> and various forms of financial and technical assistance, with a high degree of joint decision-making over the use of the financial instruments. The most important of these is the *Lomé Convention* (at present in its fourth term), signed with 69 African, Caribbean and Pacific (ACP) countries. In this context, Latin America falls into the category of *non-associated Asian and Latin American countries* (LDC/ALA). In 1988 Latin America received only 4.7 per cent of the Community's public development aid. This differentiated attitude of the Community's cooperation is due to the Community's economic and political interests in its former colonies; to political and strategic reasons, which have been important in relations with Turkey (a member of NATO), the Maghreb and Israel; and finally to the so-called *principle of solidarity*, under which aid is channelled to the least developed countries, which mainly belong to the ACP group. In this connection it is important to remember the higher relative level of development of Latin America compared with many African and Asian countries, and the favourable cycle of economic growth which Latin America in general, and Central America in particular, experienced during the 1960s and 1970s.<sup>8</sup>

#### *The 1980s: crisis, conflict and foreign intervention*

Between 1979 and 1984, however, the situation in Central America changed radically, and the region plunged into a general crisis. It was primarily a political crisis: in the majority of countries, with the sole exception of Costa Rica, the political systems inherited from the old oligarchical order, faced with social demands produced by the process of modernisation, in the end adopted authoritarian or military forms, closed channels of social participation and resorted

to systematic violence and human rights violations.<sup>9</sup> There was also an economic crisis as the growth model of the 1960s and 1970s, based on import substitution industrialisation and a regional market, ran out of steam. The deterioration in macro-economic variables, the suffocating external debt and the persistent fiscal and trade deficits were some of the most obvious symptoms.<sup>10</sup> Finally there was a social crisis, as the lack of integration and the divisions in societies marked by widespread poverty and extreme inequality were exposed. As both consequence and cause of the crisis, a cycle of insurrection began in this period which included the open civil war in El Salvador, the guerrilla struggle and the military counter-insurgency operation in Guatemala and, above all, the victory in Nicaragua of the Sandinistas, exponents of a model of social and economic development which the United States saw as contrary to its interests in the region, its traditional *backyard*.

All this provided reasons for the growing US intervention in the Central American conflicts and thus their gradual internationalisation. In 1982, for example, the Central Intelligence Agency (CIA) attacked and mined the Nicaraguan port of Corinto, and the *contras* began to operate on a large scale, starting the so-called *low intensity conflict* (LIC), with its very high human and economic costs for the region.<sup>11</sup> The threat of direct US intervention in Central America under the *Reagan doctrine*, especially after the invasion of Grenada and the constant US military manoeuvres in Honduras, was in full force throughout the period 1982-86. An important factor was the high ideological content of the Reagan administration's attitude to Central America, where it attributed the instability of the region almost exclusively to Cuban-Soviet expansionism. Because of this, the escalation of US intervention and armed conflict in the region cannot be separated, in the context of the *Second Cold War*, from the appearance or revival of new points of tensions and regional conflicts (Afghanistan, Angola and Mozambique, the Middle East), or from the increase of East-West tension in Europe. This was visible in the revival of the arms race (MX missiles, the 1983 announcement by the Reagan administration of the so-called *Star Wars* Strategic Defense Initiative, building of the B1 bomber, etc.) or the decision of the Atlantic Council in 1979 to deploy Cruise and Pershing 2 missiles in the *European theatre* of operations, the appearance of the doctrine of *prolonged nuclear war*, which did not rule out a possible localised nuclear conflict, abandoning what had previously been the basic principles of nuclear deterrence, and the breakdown of disarmament negotiations (for the INF treaty) in 1983. In this sense, Reaganism

represented a different policy from that of the preceding Carter administration in its abandonment of the premises of *détente* and *trilateralism*.

The policies adopted by the Reagan administration in this context gave priority to the geo-political and counter-insurgency elements, and ignored the deep-seated causes of the conflict, which had to do with the social and political structure and the model of economic growth adopted by the region in the past. In this way the Reagan administration prevented itself from understanding the true nature of the crisis and formulating adequate policies, distanced itself from the Democratic position on the region,<sup>12</sup> and from the attitudes adopted by its Western allies, notably Europe, among both the Twelve and the Nordic countries.<sup>13</sup>

#### *Community motives and interests*

To what extent did these processes influence the development of closer relations between the European Community and Central America, including the San José dialogue? Among the many factors which led European governments and Community institutions to become actively involved in the crisis, we will highlight the following: the search for peaceful, negotiated solutions, support for processes of democratisation and alternative political options, especially solidarity with and support for the revolutionary process in Nicaragua, and the entry of Spain and Portugal into the European Community. As we shall see, the fundamental reasons were political rather than economic. This explains why economic dialogue had little importance, and was an area offering great scope for disagreement while yielding disappointing results. The development needs of the region would not have been, on their own, a reason for closer European involvement, among other reasons because the Central American governments, except Nicaragua, had not adopted economic and social development policies substantially different from those of the modernisation era of previous decades.<sup>14</sup> Its inclusion in the dialogue was to be due both to Central American demands and to the European view of the causes and consequences of the crisis and the conflict.

• *The search for peaceful and negotiated solutions to the conflict*  
In this context, as Spanish Foreign Minister Fernando Morán noted, Europe became involved in the region's affairs in the belief that the Reagan administration's unilateral logic of confrontation, which might imply a US military commitment to the region, was straying

from Western interests.<sup>15</sup> The increasingly open US intervention, and the resulting military escalation, which was internationalising the conflict along East-West lines, could have as an indirect result the revival of tension in Europe — a very sensitive aspect to European public opinion —, threaten US military deployment on the old continent, on which European security was largely dependent, and could, in short, be a threat to global peace, stability and security. The forms taken by this view were of course very varied because of the different ideological positions. The social democrats, more sensitive to the specific problems of the Third World and closer to the principles of *détente* and *common security*, insisted on keeping the Central American crisis on the sidelines of the East-West confrontation, both in interpreting its origins and in putting forward proposals. The conservatives, more inclined to geostrategic thinking, insisted in their arguments on the need to avoid revolutionary processes similar to that in Nicaragua which, as a result of US pressure, could distance the isthmus from the Western bloc and move it towards *real socialism*, which would have a material effect on the balance of the blocs and so on stability and security in Europe.<sup>16</sup>

In the event, an agreed *European approach* was formulated in which political and economic stability in Central America was regarded as a necessary condition for the resolution of the conflict, at a distance from the East-West confrontation. On this view, political and economic stability in Central America, and peace in the region, could not be merely or primarily a matter of military or *national* security. Peace and stability depended on the removal of the underlying causes of the conflict, the lack of democracy and the systematic violation of human rights, inequality and poverty. For all these reasons, the Community attitude towards the region was based on the virtuous triangle of *peace, democracy and development*, three elements which were regarded as inseparable. This implied that peace could not be imposed militarily by forces from outside the region, but that negotiation would have to take place between the parties directly involved with, possibly, the support and cooperation of other countries. A corollary of the preceding argument is the principle of the co-existence of different systems in the region and therefore the policy of non-discrimination against Nicaragua, based on respect for the principles of self-determination and sovereignty, and therefore the acceptance of the regime resulting from the Sandinista revolution. Accordingly, direct support for the Contadora process and the Esquipulas peace accords gradually became one of the most crucial elements in the San José dialogue.

This approach, close to the principles of the Helsinki Conference on Security and Cooperation in Europe (CSCE), led Europe to adopt an independent position in its relations with Central America and one that was different from, and in some aspects opposed to, that of the United States and that adopted by some European governments in their bilateral relations. Recognition of the internal political, social and economic origins of the Central American crisis, in which, as we shall see, the Socialist and Christian Democrat Internationals, and European public opinion, played a determining role, ruled out the dogmatic attitudes of the Reagan administration, which were based on the idea of East-West confrontation and its hegemonic view of peace and stability (the *pax Americana*). Another effect was that the political and military measures employed by the Reagan administration came to be seen as part of the conflict and not as a solution. The differences with the United States, however, were reduced to the areas of diagnosis of the causes and nature of the crisis, the formulation of policies to deal with it, and attitudes to Nicaragua. The European Community — despite vigorous debate on this point — did not distance itself from generally perceived Western interests, and tried to avoid conflicts with the United States within the Western alliance.<sup>17</sup> In this connection it is important to remember that there were conservative European governments that attached great importance to the North Atlantic link.<sup>18</sup> Laurence Whitehead went so far as to say that the differences between Europe and the United States never reached the point of a real clash of interests and objectives, but became — perhaps unintentionally — complementary, encouraged by the ideological division within the United States and the closeness of Brussels' positions and those of the Democratic opposition in Washington.<sup>19</sup>

• *Democratisation and alternative political options*<sup>20</sup>

As Cristina Eguizábal has noted, the most important links and channels of communication between Europe and Central America from the 1960s onwards may have been those maintained by the Christian Democrat, Liberal and Social Democrat political parties, either bilaterally or through their respective Internationals, trade union federations and political foundations such as the Konrad Adenauer, Friedrich Ebert, Hans Seidel and Friedrich Naumann, in the case of Germany.<sup>21</sup> Because of this, there were strong links in the area of political culture, and European interest in structural reforms, and especially democratisation, in the isthmus began very early. These links made it easier for Europeans to become aware of the crisis in Central America and gain a deeper understanding of its

causes. Since the end of the 1970s the Social Democrats in power in France, Germany, the Nordic countries and, from 1982, in Spain, gave substantial material and political support to the Sandinista revolution and the FMLN, for example the Franco-Mexican declaration of 1981.<sup>22</sup> The Christian Democrats, for their part, saw sister parties come to power between 1984 and 1986 in El Salvador and Guatemala, and mobilised vigorous support for this political position, which was seen as an intermediate, reformist option, accepted by the United States, in between insurrection and the old oligarchical elites. Nor, finally, should it be forgotten that Western European solidarity movements — solidarity committees, non-governmental development organisations, church base groups, twinned towns, parties and trade unions — played an important role in publicising abuses and alerting and mobilising public opinion. This, and the resulting pressure exerted on their various governments, was a further factor in the political sphere that encouraged closer European interest in the region.

• *The entry of Spain and Portugal into the European Community*

The Central American crisis also coincided with the formulation and full development of Spain's foreign policy and Latin American policies, in the context of the consolidation of the democratic state. This was based on the definition of Spain as Western and European, with its Mediterranean and Latin American dimensions as complementary to this.<sup>23</sup> In this context Spain chose to act in support of Latin American interests through the European Community in the same way as the country does bilaterally.<sup>24</sup> This approach was encouraged by the rejection of the Spanish proposal of 1982 for an international conference on peace and cooperation in Central America. As a result, relations with Central America became an effective means for carrying forward a policy that was at the same time a policy towards Latin America and a policy towards the Community, and to reduce the fear or opposition expressed by the United States, some Central American governments and the Con-tadora group to the Spanish government's initiatives on account of its visible support for the Sandinista government.<sup>25</sup>

The entry of new members into the European Community had the general effect of broadening its foreign relations. During the negotiation process Spain gave a vigorous stimulus to Community relations with Latin America, an area that had traditionally been one of its priorities in foreign policy, and specifically with Central America. In the entry negotiations Spain obtained a *Common Declaration of Intentions on the Development and Intensification of Re-*

*lations with the Countries of Latin America*, accepted by all twelve member-states of the Community and annexed to the treaty and entry documents signed in June 1985. This joint declaration reaffirmed the growing attention paid by the Community to the region and was to be the basis for further initiatives by the Spanish government and Community bodies to redefine and intensify relations, such as the *New European Community Guidelines for Relations with Latin America*, adopted by the Council of Ministers in 1987.<sup>26</sup> Because of the declaratory character of these statements, however, their results were very limited. Latin American and Spanish expectations that Latin America or the poorest countries of the Andean region or Central America would receive treatment analogous to that of the ACP countries were not fulfilled, and the hierarchy of the Community's development policy was not altered. One obstacle was the limited trade links with Latin America, on the part both of the Community and of Spain itself, and the reduced amount of development aid that Spain, in the process of structuring its development aid policy, allocated to Central America.<sup>27</sup>

If these were the most important factors, others also played a role, such as the consolidation of European Political Cooperation (EPC) in foreign policy as part of the relaunching of European integration with the *Single Act* of 1986. This process encouraged joint action by the Twelve towards Central America rather than bilateral approaches. This was an example of what Roy H. Ginsberg called *politics of scale*, that made it possible to reduce the individual risks of a clash with the United States and increase potential influence at a greatly reduced cost.<sup>28</sup> The absence of significant strategic interests on the part of the Twelve in Central America encouraged coordination and the adoption of common policies towards the region. Another important, though conjunctural, factor was the need for Europe to improve its relations with Latin America from their low point in 1982 as a result of the Malvinas/Falklands war. Support for the efforts of the so-called *Contadora Group* (consisting of Colombia, Mexico, Panama and Venezuela), which from January 1983 promoted a negotiated solution to the Central American crisis, enabled Europeans to neutralise the effects of the crisis and reconcile the Community with Latin American interests.<sup>29</sup>

The European Parliament was a very important actor in the process of establishing closer political ties between the two regions, in developing the previously mentioned *European approach* based on the promotion of peace, democracy and human rights, and in the formulation of cooperation policies for the region, in many cases with much more advanced proposals than the Commission or the

Council. Support for democratisation, as Carlos Bru and Gustavo Palomares have pointed out, formed a clear *backbone* of parliamentary initiatives on Central America. Between 1986 and 1992 the Parliament produced about a hundred resolutions in support of the Contadora and Esquipulas peace process, progress towards democratisation and electoral processes, the Central American Parliament, and in condemnation of human rights violations.<sup>30</sup>

#### *Central American interests and motives*

Central America showed interest in establishing a dialogue with Europe for both political and economic reasons. On the political level there was a broad convergence of interests between the Community and other regional actors, such as the Contadora Group. In the context of the peace process, the Community was seen as a *disinterested mediator* in the regional crisis with the hegemonic power of the United States. The absence of direct Community economic or strategic interests, its greater sensitivity to the internal problems of the region, the agreement of governments and public opinion in both regions on the diagnosis of the crisis, the fact that Community development aid policies were less subordinated to *national security* considerations, and Europe's special relationship with the United States all encouraged this perception. For Central America Europe could represent to some extent a *counter-weight* to United States influence in the region, able to moderate its dangerous Central American policy and check the escalation of the conflict. For some governments of the region, closer relations with Europe formed part of a strategy of *diversifying dependence*, to increase their margin of autonomy in foreign policy. Nor should it be forgotten, finally, that internally too relations with Europe became a source of legitimacy and autonomy for some Central American governments. This was the case with the Sandinistas and, above all, for the Christian Democrat governments in El Salvador and Guatemala. The two latter had weak social bases and tried to implement a programme of structural reforms intended, in the last resort, to defuse the armed conflict; these were opposed by both the revolutionary forces and the traditional oligarchical elites.<sup>31</sup>

To the extent that the crisis had clear socio-economic causes, economic aspects such as debt, trade and development aid were to assume much greater importance on the Central American agenda than Europe was prepared to give them, as we shall see. Because of the asymmetry of trade between the two regions and Europe's traditional protectionism, the Central Americans hoped for preferen-

tial treatment from Europe for their exports, as regards both market access and the stabilisation of export earnings. At the height of the debt crisis, the Central Americans linked political stability with stability of the balance of payments and public finances. The Central Americans saw the dialogue with Europe as a chance to ask for solutions to the debt problem and significant amounts of aid to alleviate, in the short term, the acute need for hard currency that their economies faced in this period.

As Alberto van Klaveren has pointed out, the Central American emphasis on the *big issues* on the traditional North-South economic agenda also reflected the traditional *demand diplomacy* of the Central American states. As we shall see, the lack of a European response to many of these points, both wide-ranging and generic, was to bring about, as the dialogue continued, a shift of the Central American agenda towards a pragmatic approach on more specific issues, on which there might be a greater chance of securing a favourable response from the Community.<sup>32</sup>

## 2. Development and content of the San José dialogue: political consensus, economic differences

The development of closer relations between Central America and the European Community accelerated from the beginning of the 1980s. In November 1981 the Commission proposed an increase in aid and cooperation with the isthmus. The proposal was taken up by the European Council meeting in Brussels in March 1982, which made European support for the Contadora peace initiative explicit. A proposal went from this summit to the foreign ministers that a special plan for cooperation with Central America should be drawn up, and a draft was prepared by the Commission. The Commission's proposal had a budget of ECU 65 million for 1982, to be financed by means of a budget amendment and in coordination with the bilateral cooperation of the member states. The plan was approved at a considerably lower budget, but doubled the funds previously allocated to the region. In 1983 the European Council, meeting in Stuttgart, confirmed this support, a move that gave rise to closer contacts between the Contadora, the Community *troika* of foreign ministers and their Central American counterparts. In April 1984 the presidents of the Socialist, Liberal and Christian Democrat Internationals issued a joint statement urging that the crisis be separated from an East-West confrontation. Finally, during the visit to Europe of the Costa Rican President, Luis Alberto Monge, the idea of a

ministerial conference was floated. This was finally held in September 1984 in San José, Costa Rica, with the participation of the foreign ministers of the five countries signatory to the Central American Integration Treaty (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), the European Community, still with ten members, together with Spain and Portugal and the four countries of the *Contadora Group*, as well as the general secretariat of the Central American Integration Treaty (SIECA). Spanish senator Rafael Estrella has described how the high profile of the European delegations was the result of the clumsy pressure of the US State Department, fearful of European intervention in the isthmus and hostile to the holding of the meeting.<sup>33</sup>

The course of the San José dialogue, from the first ministerial meeting, can be divided into three periods. The first, consisting of the institutionalisation of the dialogue and the adjustment of expectations, can be defined as 1984-87. The second, dominated by support for the Esquipulas peace process, runs from 1988 to 1990. With 1990 a third phase begins, in which the changes taking place on the international scene begin to leave their mark and bring the San José dialogue to a crossroads at which there is a clear reformulation of the terms of the dialogue between the two regions, and a clear shift of the agenda towards economic issues.<sup>34</sup>

### *From San José I (1984) to San José III (1987): the institutionalisation of the dialogue and adjustment of expectations*

This first period saw the definition of the bulk of the terms and the agenda of the dialogue between the European Community and Central America as the expectations, interests and motivations of the two sides were confronted. It was also the period of the institutionalisation of the dialogue through the holding of annual ministerial meetings and the signing of a Cooperation Agreement in 1985. It was agreed that the meetings would be held alternately in each region, with a single agenda, previously agreed upon by both sides. In this sense, *San José* was an important stimulus to Central American regional cooperation, which later made possible the Esquipulas plan. On the political plane, explicit recognition was given to the basic conceptual framework of *peace, democracy and development*, the desire to establish a structure of political and economic dialogue between Europe and Central America with a view to supporting the efforts of the countries of the isthmus to check violence and instability, the recognition that different systems coexisted in the region, and explicit support for regional peace

efforts and specifically for Contadora, whose declaration of intent had been binding since September 1983. As a consequence, the progress of the dialogue on the political plane was largely determined by the vicissitudes of the Contadora process until in 1986, with the peace process totally deadlocked, the meeting was not held and the political level of the delegations was reduced.

The mismatch of expectations and intention with which the two sides embarked on the dialogue was exposed, however, in the area of economics. The European Community came to San José I with the intention of opening an essentially political dialogue within the framework of the peace process and of establishing a cooperation agreement in the medium term, but it was reluctant to alter the place of Central America within its hierarchy of preferences for the developing world, and so did not offer trade concessions or large amounts of aid. Central America demanded the opening of the Community market to its traditional products, especially coffee and bananas, and a price stabilisation system similar to Stabex. The Community, however, merely offered to improve the operation of the Generalised System of Preferences, which was irrelevant to the region, mutual recognition of the *Most Favoured Nation* clause, reflected in the 1985 Cooperation Agreement, and, from 1987, a reduction from 5 to 4.5 per cent of duties on coffee. The Central American demands were excluded from the San José dialogue and referred to multilateral processes such as the General Agreement on Tariffs and Trade (GATT) or the Multifibre Agreement, and the European side insisted that the economic recovery of the isthmus depended primarily on the reactivation of the declining Central American Common Market (CACM), rather than on the access to European markets. The European response in this area, though predictable, was discouraging, especially if compared with the wide-ranging unilateral trade concessions approved by the United States in 1983 under the Caribbean Basin Initiative (CBI).<sup>35</sup> The Central American demands on the debt also went unheeded; they were referred to *appropriate fora*. In short the Community offered an '*aid, not trade*' model of cooperation, in contrast to Lomé's '*trade and aid*' or the '*trade, not aid*' traditionally demanded for decades by the developing countries.

The Cooperation Agreement signed in 1985 was what is called a *second generation non-preferential agreement*, very similar, for example, to the one signed with the Andean Pact early 1980s.<sup>36</sup> Its content is vague and limited in its practical economic implications. The Community ministers reduced the profile of the Cooperation Agreement, which had been much more wide-ranging in the

initial proposals of the Commission and Parliament. The Commission proposed a doubling of economic assistance and the reduction of coffee duties to 3 per cent. The European Parliament's External Economic Relations Commission went further, and proposed the establishment of a system similar to Stabex and Central American participation in the capital of the Central American Bank for Economic Integration (BCIE), together with voting rights.<sup>37</sup>

With regard to aid, the Community increased its cooperation from the ECU 39 million allocated in 1983 to a total of ECU 73.2 million in 1985 (see Table 2), and undertook to provide ECU 500 million (\$ 600 mn) over the following ten years, mainly through the BCIE. These figures amounted to a quadrupling of the Community's aid during the 1970s, but remained very modest in comparison with the needs of Central America and the expectations of European contribution to the *mini-Marshall Plan* for Central America proposed by the Kissinger Commission at the beginning of 1984. Nor did they match the aid provided by the United States, which, in the wake of the Kissinger Report, presented to Congress in August 1984, agreed an extraordinary aid package for the countries of the isthmus, except Nicaragua, to a value of \$ 8000 million.<sup>38</sup> The imbalance between political discourse and its translation into economic assistance has perhaps been all along the main weakness of the dialogue, and what most has threatened its credibility. Nevertheless, the Community's assistance was markedly less subordinated to national security considerations than that of the United States. It was based on dialogue and negotiation, and clearly dissociated from the unilateralism and strong conditionality characteristics of the main donor, AID.<sup>39</sup> Important to mention in this context is the fact that Nicaragua had been the main recipient of Community assistance from 1980 to 1990, absorbing 34 per cent of the total (see Table 3). For these reasons, many groups in Central America regarded the Community's assistance as more *disinterested* and appropriate to the region's needs.

Aid, finally, was allocated through the mechanisms envisaged for the *non-associated countries of Latin America and Asia* (LDC/ALA), on an annual basis. The priorities, under the Community's rules and the Cooperation Agreement, were defined as improving the living conditions of the poorest sections of the population, rural development, health, food security, disasters and regional integration, preferably through regional projects. Projects of this type expanded enormously from 1984 onwards. Their expansion, however, followed the progress of Central American cooperation, and in 1986, the year in which Contadora collapsed and there was no ministerial



meeting, the percentage of funds allocated to regional projects was 5 per cent, a sharp fall from the average of 28 per cent for the decade (see Table 3).<sup>40</sup>

The priorities and scope of European aid show that the Community came to San José with a development strategy or *model of inward-oriented* development that was inadequate to achieve substantial improvements, and which also differed notably from the direction gradually being adopted by economic policy in the region, at the prompting of the IMF, the World Bank and the United States Agency for International Development (USAID), which was increasingly being framed in terms of *outward-oriented* development, by means of policies of stabilisation, structural adjustment and liberalisation.<sup>41</sup> The European Community's support for Central American integration and rural development was based on its own historical experience, in which intra-regional trade and agricultural policy were motors of growth and prosperity and an instrument of peace. Some observers have even noted, with surprise, that in the early years of the dialogue the Europeans were more enthusiastic about regional integration than the Central Americans, who regarded the Central American Common Market as a *failure* and saw better chances of economic regeneration in export diversification into *non-traditional* products and demand from third markets, as could be observed in the second half of the 1980s.<sup>42</sup> The dialogue coincided with a period in which the CACM was experiencing serious difficulties.<sup>43</sup> Nevertheless European Community support was very important in enabling the structures of Central American integration to survive until their reactivation in 1990.<sup>44</sup> On the other hand, despite the talk about the structural causes of the conflict, European cooperation did not provide significant support for the structural reforms required to improve the economic and social situation of the isthmus, such as the agrarian or tax reform programmes, varying in scale and intensity, being implemented by a number of countries in the region.<sup>45</sup> On the contrary, the bulk of aid up to 1990 was channelled through technical assistance (57 per cent) and food aid programmes (27.8 per cent), see Table 4, the contribution of which to sustainable development has to be rigorously examined.<sup>46</sup> However, it should be emphasised that European cooperation was channelled through European non-governmental organisations (NGOs) to a much greater extent than in other regions. This characteristic feature of Community cooperation was important as an effective support to the efforts of the organisations of civil society and NGOs in Central America most committed to peace, human rights, participatory development and the formulation of develop-

ment alternatives for the region.<sup>47</sup>

*From San José IV (1988) to San José V (1989): supporting the Esquipulas peace process*

The dialogue between the European Community and Central America acquired a new impetus in the period between the signature of the Esquipulas peace agreement in August 1987 and the Nicaraguan elections of February 1990, which transformed the political situation of the isthmus by producing a victory for the parties opposed to the Sandinista Front. In this context an important aspect was that Esquipulas represented a clear affirmation of the European view on the causes and means to a solution of the crisis. The advances and difficulties of the peace process and the process of democratisation in the isthmus, elements that were linked in the Esquipulas agreement, were the main themes of the political communiqués of San José IV (Hamburg, 1988) and San José V (San Pedro Sula, 1989). The communiqués emphasised the role of electoral processes and the need for a cease-fire, and made an explicit appeal to governments from outside the region that were giving aid to irregular forces, a clear reference to the United States and its open support for the *contras*.

On the occasion of the peace agreement, the Central American presidents made a special plea to the international community for aid, singling out the situation of refugees and displaced persons, which was accompanied by an *Immediate Action Plan* (PAI), costed at \$ 1,460 million. This plan was produced by the Central American cooperation organisations (meetings of vice-presidents and presidents), the regional integration bodies and other international organisations. Shortly afterwards, this plan was integrated into the *Special Plan for Economic Cooperation with Central America* (PEC), drawn up by the Central American governments and the United Nations agencies and approved by the General Assembly in May 1988. The overall budget of the Special Plan, at \$ 4,370 million, included three main programmes. The first was an *Emergency Programme*, which included care for refugees and the displaced, and urgent energy and food aid needs. Under the terms of this programme the International Conference on Refugees in Central America (CIREFCA) was established in 1989. Second, the Immediate Action Plan prioritised the regeneration of regional trade within the framework of the Central American Common Market (CACM), and measures to reduce the foreign debt. The third element was a Programme for Economic Revival and Social Devel-

opment, covering seven areas of investment, industrial conversion, agricultural development, trade concessions, reconstruction of the physical infrastructure, the energy sector and — in the area of social development — food security, health, housing, education and the creation of productive jobs through cooperatives. One of the aims of the Special Plan was to coordinate, within a multilateral perspective, the cooperation policies operated by the bilateral and multilateral donors and the Central American governments themselves.<sup>48</sup>

Esquipulas was to be, like these initiatives, a stimulus to increased development aid from the European Community, channelled into direct support for the peace process, in agreement with the priorities indicated by the Central American governments, and coordinated with the action of other bilateral and multilateral donors. Other important events tending in the same direction were the coming into force in 1987 of the Cooperation Agreement signed in San José in 1985 and the first meetings of its Joint Commission, the adoption by the EC Council of Ministers on 22 June 1987 of *New Guidelines for Relations with Latin America* and the first Spanish presidency of the Community.

European support for the Immediate Action Plan and the Special Plan, expressed in San José IV and V, was limited to the urgent needs of the isthmus in relation to food aid and relief for refugees, in the latter case through CIREFCA and on condition that the repatriations took place voluntarily and with basic security guarantees. It was estimated that the European contribution might cover a third of the costs of the Emergency Programme, calculated in all at \$ 400 million. In 1988 Community aid had already reached a total of over ECU 100 million, easily overtaking the commitments of San José I and making it possible to take on this commitment without great effort. These commitments shifted European aid, from this time onwards, towards greater multilateralism. The Community also offered resources for projects in some new minor areas of cooperation approved in the Council in 1987 for non-associated Latin American countries; these include technological cooperation, the fight against drugs, food aid and its evaluation, and the fight against AIDS. Again, Central American needs in the areas of debt and trade were not taken into account. Nevertheless, at San José V the Central American presidents made a formal request to the European side about the financing of the intra-regional balance of payments system and the temporary imbalances of countries showing a deficit in intra-regional trade,<sup>49</sup> on the grounds that this proposal was in accord with the declared importance attached by the Community to regional integration and that the other main donor to the region, the

United States, would not accept a proposal that was contrary to its aid policy, which was based on a rigid bilateralism. A final aspect of interest during this period was the European commitment to support the Central American Parliament, whose founding treaty was approved by the Central American presidents at the Esquipulas I summit.<sup>50</sup>

*From San José VI (1990) to San José IX (1993): the dialogue between Europe and Central America at a crossroads*

1990 marked a turning point in the San José dialogue. The sixth ministerial meeting, held in Dublin in April of that year, took place in a context considerably different from that of previous meetings. Events in Europe — the fall of the Berlin wall, the revolutions in the Eastern bloc, German reunification — forced the Community, still in the throes of the formation of the Single European Market, to devote more of its attention to Eastern Europe. Central America also looked very different from only one year previously. In Nicaragua, a cease-fire had been achieved and the *contras* demobilised, and the elections of February 1990 had resulted, against all the forecasts, in a victory for the opposition coalition headed by Violeta Chamorro. Elections in El Salvador, Honduras and Costa Rica had also brought to power parties of the right or extreme right. The *conservative swing* in the Central American isthmus led generally to the adoption or continuation of neoliberal economic policies, and the absence of the Sandinistas made it easier to reach agreement in the Central American cooperation institutions, particularly with regard to the implications for the isthmus of the globalisation and internationalisation of the economy. In June 1990, for example, the presidents met in Antigua (Guatemala), and approved the Central American Economic Action Plan (PAECA), which relaunched the process of regional integration on a new basis. Also in 1990, President Bush announced his *Initiative for the Americas*, which proposed a new context for the foreign relations and economies of the region. Bush also indicated a different attitude to Central America from his predecessor. Finally, 1990 saw the reopening of peace negotiations between the Salvadorean government and the guerrillas, after it had been shown by the FMLN offensive at the end of 1989 that neither side in the conflict was capable of achieving a military victory.

It was inevitable that these events would leave their mark on the agendas of the four ministerial meetings held between 1990 and 1994. Until 1991 the political agenda continued to be dominated by

the peace process in Nicaragua, with support for the demobilisation of the *contras* and peaceful transition. In addition, ministers' attention moved to El Salvador and Guatemala, both to the Salvadorean peace process and the human rights situation, with an explicit reference in 1990 to the murder by the armed forces of six Jesuits and two of their staff at the Central American University in San Salvador. After the signing of the El Salvador peace accords, the Community foreign ministers at San José VIII (Lisbon 1992) stressed the importance of the *Truth Commission*. The issue of human rights, connected to that of democratisation, increasingly dominated the concerns of the Community foreign ministers, and this, as will be shown later, was to become one of the key dimensions of cooperation for the Community in the 1990s.

In the economic field the main event was the approval in Dublin (San José VI, 1990) of the largest Community projects in the region to date: financial support for the regional payments system requested by the Central American side at San Pedro Sula (San José V) and for a special fund for the two countries with chronic balance of payments deficits in the region, Honduras and Nicaragua, compromising a total worth of ECU 120 million. This programme was expected to increase regional GDP by 1 and intra-regional trade by 25 per cent.<sup>51</sup> Nonetheless this programme was short-lived; only eighteen months later it was agreed at San José VIII that support for the regional payments system was *less vital* in view of the progress made towards the mutual convertibility of the region's currencies.<sup>52</sup>

On the other hand, the European Community tied this project explicitly to the adoption by the Central American governments of measures to liberalise intra-regional trade through a *Programme to Dismantle Obstacles to Intra-regional Trade*. The intention of both sides was that these measures would lead to economic modernisation and a deeper insertion of the isthmus into the international economy. To this end the Community also pressed for the diversification of the region's exports. All this shows that the dialogue has moved closer to the new ideas about development that became dominant in the 1980s, related to the neoliberal proposals and actively advocated by the international financial institutions and the United States.<sup>53</sup> The relaunching of the integration process was also based on these economic assumptions. As Mónica Hirst and Maria Luisa Streb have noted, in the 1990s regional integration has a strategic significance in the foreign policy agendas of Central American governments. Integration is no longer thought of as a way of creating a larger internal market, as in the thinking of the 1960s,

but as a way of improving, in the context of economic globalisation, the conditions for the region's relationship with the world economy.<sup>54</sup> For this reason the new integration model will be accompanied by adjustment and trade liberalisation measures that presuppose that the old development model based on import substitution has been replaced by a different, neoliberal model, based on an opening up of economies to the outside world and the dynamism, capacity and competitiveness of the export sectors. This position assumes that the international market, rather than the internal or regional market, as envisaged in the years before the crisis, is now the *motor* of growth.<sup>55</sup>

With regard to trade, in Dublin and Managua (San José VI and VII) the Central Americans put forward their demands for preferential access to the European market, with all the more force since the Community's granting of extraordinary tariff preferences to the Andean countries. The Europeans initially claimed that these preferences were to be understood as exceptional measures to support the fight against the production and trafficking of drugs (thereby revealing implicitly that this issue is a priority for the Community). Nonetheless, two months before San José VIII (Lisbon, February 1992), the Community granted special preferences to Central America and Panama within the framework of the GSP, linked to both democratisation and the fight against the drugs trade. The concessions excluded bananas, and as result served mainly to stimulate *non-traditional* exports.<sup>56</sup> Despite these measures, exceptional after eight years of dialogue, Europe continued to leave the delicate question of access to the European market to GATT.

On the other hand, the creation of the internal market and the beginning of the process towards monetary union, the *hard core* of the Maastricht Treaty, imply a considerable change in the Community's trade relations, forcing its members to adjust their own strategies. The Single Market from 1 January 1993, the agreement on the *European Economic Area* with the countries of the European Free Trade Association (EFTA) and the prospect of the enlargement of the Community aroused fears among the Central Americans about the possible harmful effects on their trade interests, on a pessimistic view, of a *Fortress Europe*, increasingly introverted, protectionist and distant from Central America. Central America asked the Community for more precise information about the likely effects of the Single European Market. The Community reiterated that the market would have beneficial effects by stimulating economic growth and increasing the demand for foreign goods. In this context, they argued, Central America needed to diversify its ex-

ports.<sup>57</sup> Concerning banana, a product whose conditions for access to Europe have necessarily been affected by the coming into operation of the Common Market, the EC expressed its commitment to find a *well-balanced solution* that would take into account Central American interests (see Appendix on the *banana war*).

In the sphere of development cooperation the main development, already noted, was the large injection of funds into the regional payments system. The importance attached by both sides to this project, is a clear sign of the shift of interest on the part of the Central American and European governments with regard to cooperation priorities. The programmes traditionally identified by the Community as appropriate for reaching the poorer sectors — those in rural *inward-oriented* development — have been maintained, but seem to have lost importance to macro-economic issues and to promotion of non-traditional exports, within an *outward-oriented* development logic.<sup>58</sup> It should be noted that this does not imply a neglect of actions intended to encourage the peace process. At San José VIII (Lisbon, 1992), the Community approved an extraordinary disbursement of ECU 50 million for the El Salvador reconstruction plan. With this, the country has become the main recipient of Community funds, with Guatemala occupying the second place. Nicaragua and Honduras, the main recipients during the eighties, have been overtaken and now occupy a less important position (see Tables 3 and 7). The refugee programmes, carried out partly by NGOs, were maintained at an annual total between ECU 15 and 20 million. Assistance to refugees, in this context, increased its relative importance within Community cooperation, passing from four per cent of total Community assistance during the eighties, to eight in the nineties (see Tables 2 and 6).

At the same time there are signs of a considerable diversification of the previous cooperation lines, and a considerable increase in resources, reaching payments of about ECU 124 million in 1991, ECU 143 million in 1992 and ECU 168 million in 1993.<sup>59</sup> Community assistance now went to new areas of cooperation, such as support for cooperatives and small and medium businesses, air traffic control, telecommunications, fisheries, tourism, women, the environment, direct investment from private sources (the EC-IIP programme),<sup>60</sup> and democratisation and human rights, in this case through the *Multi-Annual Programme for the Promotion of Human Rights*. This programme has dedicated direct financial support to the Esquipulas process through the International Assistance and Verification Commission (CIAV-OEA), to the peace process in Guatemala and to the elections in Panama, as well as to governmental insti-

tutions and non-governmental organisations dedicated to the promotion and defense of Human Rights. Important to mention in this regard is that, since 1990 Central American NGOs are eligible as direct counterparts or executors for Community cooperation, because of which a reasonable number of projects, especially in the fields of democratisation and human rights, building of human resources and trade promotion, are going to be carried out through these kinds of organisations.<sup>61</sup> In the social field, finally, the Community committed itself to contribute to the *social investment funds* (FIS) or *social emergency funds* (FES) created by the Central American governments with the support of the World Bank and other international financial organisations to carry out short-term compensatory policies to deal with the social effects of adjustment. This commitment now has been given concrete form in Panama. There is a vigorous controversy about the effectiveness of these policies and institutions insofar as they have been regarded, from the neoliberal standpoint, as a selective alternative to universal social services.<sup>62</sup>

#### *San José IX (San Salvador, 1993): from dialogue to confrontation*

The ministerial meeting held in San Salvador in February 1993<sup>63</sup> showed that the consensus on many items of the agenda still endures, so much so that a new cooperation agreement was concluded to replace the one signed in 1985. The meeting, nevertheless, was overshadowed by the deep differences that began to emerge, especially on human rights and trade relations. For the first time in the ten years of the San José dialogue the joint communiqué, for all the elegance of the diplomatic language, indicated that relations between the two regions were going through a period of conflict as a result of the *banana war*.

The peace processes were, as at other meetings, the main political issue. Some consideration was given to the instability of Nicaragua, with recognition that more effort needs to be put into cooperation with this country in view of its socio-economic problems. The Guatemalan government and the URNG were urged to resume peace talks, and it was noted that human rights violations are continuing in Guatemala. Nonetheless the El Salvador Peace Accords were the main item on the political agenda and, with regard to human rights, the most controversial. The European ministers, in accordance with the Community's policy of linking cooperation with democratisation and human rights, tried to include a statement on the Truth Commission,<sup>64</sup> then still pursuing its investigations, but

this was adamantly vetoed by the Salvadorean foreign minister, José Manuel Pacas, who claimed that it was unacceptable interference in Salvadorean internal affairs. In the end the European ministers issued a statement separate from the joint communiqué.<sup>65</sup>

The economic agenda stressed the coming into force of the *Central American Integration System* (SICA) on 1 January 1993, policies of structural adjustment, liberalisation, modernisation of production and export diversification in the countries of the isthmus, together with the commitments made at the eleventh and twelfth *summits* of Central American presidents in Tegucigalpa and Panama on human development and the development of an agricultural sector in Panama (called the *Panama Agricultural Agreement*). The Central Americans also asked for the tariff concessions granted in 1992 to be maintained.

The contradictions between the liberalisation policies promoted by the industrialised countries and the international banks for the developing countries and the protectionism that the developed countries operate in practice came into the open in the clash over Central American bananas. When arrangements for the Single European Market were completed in December 1992, the council of Community agriculture ministers announced the new trade regime for bananas to be applied in the member states of the Community (see below, Appendix). A quota of two million tonnes was imposed — 0.7 million tonnes less than Latin American exports in 1992 — together with a 20 per cent tariff applicable from July 1993. In addition, imports above the quota would attract a tariff of 170 per cent. This regime violated the European undertaking to find a *balanced solution* that would respect the Central American interest in this commodity, declared in previous San José meetings and, as the Central Americans pointed out, contravened the *most favoured nation* clause that both regions had given each other in the Cooperation Agreement of 1985, and the GATT rules on customs unions and free trade areas.<sup>66</sup> The Central Americans accordingly demanded that the current level of access for bananas should be maintained. The European representatives declared that access restrictions, a logical consequence of the application of the internal market, stemmed from the need to reach a *fair balance* between the interests of Community producers and consumers and those of suppliers in Latin America and the ACP countries, who enjoy preferential access to the Community market under the Lomé Convention. The communiqué, in the end, did no more than record the deep disagreement on the issue, without suggesting solutions. The

Central American position was weakened by El Salvador, which received ECU 60 million from the Community in 1992 and has negligible banana production, and refused to sign a joint document on the issue.<sup>67</sup> One country whose credibility was affected by the disagreement was Spain, which, despite being considered an *advocate* of Latin American issues in the Community, was a firm supporter of the quota system to defend its Canary Islands banana production.

The chapter on development cooperation introduced a few significant new elements. First, the funds intended for the regional payments system (ECU 120 million), were admitted to be ineffective and transferred to a new trust fund to increase the region's export capacity.<sup>68</sup> Second, it was announced that the European Investment Bank (EIB) would begin operations, though on a limited scale, in Latin America. Finally, and despite disagreements on other points, a new Cooperation Agreement was signed to replace the one signed in 1985 at San José II in Luxembourg.

The new agreement, known as the *San Salvador agreement*, was justified on the ground of the increase in the forms of Community cooperation and the European interest in having a new instrument reflecting the changes which had been taking place in its cooperation policies since 1989, and which will be detailed below. It is a *third generation* agreement, with a term of five years but extendible, non-preferential and with no financial protocol, analogous in many of its elements to those signed by the Community since 1990 with Argentina, Chile and Mexico. The agreement includes the *democracy clause* on the democratic basis of cooperation (Art. 1) and the so-called *evolutionary clause* (Art. 39), which provides for the extension of the agreement's field of application with the consent of both sides. The preamble makes clear the acceptance by both sides of a development strategy based on "*the favourable consequences of the process of modernisation, economic reforms and trade liberalisation..., together with the need to match these reforms with the advancement of the social rights of the less advantaged sectors,*" a "*greater role for Central America on the world economic stage... and the importance of international free trade.*"<sup>69</sup> Cooperation is established in three main areas: (a) economic cooperation, centred on macro-economic aspects, industry, integration, science and technology; (b) trade cooperation, in which mutual *most favoured nation* treatment is maintained, leaving other issues to multilateral trade bodies, and (c) development cooperation, the sphere which covers the Community's budget lines for financial and technical assistance to Latin American and Asian countries. A joint

commission — continuing the joint commission of the 1985 agreement — was to study projects that could receive financial support, on a multi-annual basis.

### 3. Prospects for the San José dialogue in the 1990s

#### *Europe and Central America on the new international scene: the new priorities*

In recent years, which have seen nothing short of a speeding up of history, the international system has undergone radical changes, moving from bipolarity and the logic of confrontation to a situation dominated by multipolarity in economics and politics, and turbulence, instability and uncertainty. The new international scene is forcing the different actors into a fundamental readjustment of political and economic perceptions and strategies. In this new scene the main forces dominating the action of states seem to be the formation of large trading areas, economic competition in world markets and the search for technological superiority, rather than membership of a system of strategic alliances.<sup>70</sup> For the countries of the South this new scene poses with unprecedented force the challenge of participation in the international system, with the alternative of remaining marginalised from the main flows of trade, investment and technological exchange.<sup>71</sup> This challenge, with its opportunities and risks, has been clearly seen in Latin America, which lost a significant part of its involvement in the world economy during the *lost decade for development*. In this connection, the future situation of the region will depend to a large extent on the still uncertain development of the world trade system, whether it turns towards multilateralism, with a successful outcome to the Uruguay Round of GATT, or towards regionalism, with the formation of three main geo-economic blocs around the most dynamic *poles* of the world economy, the North American Common Market, Japan and South-East Asia, and a unified Europe. The second prospect, pessimistic but possible if the GATT negotiations fail, the continuing existence of trade barriers and agricultural subsidies in the European Community and the United States, together with a revival of protectionism, could have very damaging effects on the exports of the developing world, and in particular on Central America.

In the 1990s Central America, a marginal and peripheral region in the world economy, faces a challenge, if anything, even more

complex. In addition to the need to find an advantageous space in an international economy in a process of change, it faces the immediate challenges of consolidating peace and democracy, reconstruction, economic recovery, and social equity and development.<sup>72</sup> President Bush's Initiative for the Americas and the formation of the North American Free Trade Area (NAFTA) between the United States, Canada and Mexico raises the problem of Central America's role in the world economy in very practical terms: NAFTA may mean, in the short term, that the region loses to Mexico the unilateral trade preferences accorded to it by the United States in 1984 under the Caribbean Basin Initiative, when the region was still important strategically.<sup>73</sup> Since 1990 the integration process has regained its impetus, and the countries of the isthmus have made real progress in a process that includes simultaneously integration, trade liberalisation and the development of trade links with the outside world. This is the background to the creation of the Central American Integration System (SICA), in force since January 1993, the outline agreement on trade liberalisation with Mexico of August 1992 and the more recent free trade agreement between Central America and the *Group of Three* (Mexico, Colombia and Venezuela), signed on 12 February 1993, with the aim of creating free trade in the Caribbean Basin, and due to come into force on 1 January 1994. All this shows that the region is moving further and further towards strengthening its trade links with the large North American market, with a view to free trade throughout the hemisphere. These events show how fundamentally the region's political agenda and foreign relations have changed, from being dominated, only a few years ago, by armed conflict and the peace process.

The European Community too is being profoundly affected by the changes in the international system. The early years of the 1990s have brought unprecedented progress in the process of closer European unity, with the application of the 1986 Single Act, the signing of the European Union Treaty in Maastricht in February 1992 and the completion of the Single Market in January 1993. It is a transitional phase, since the changes in Eastern Europe are forcing the Community rapidly to redefine its identity in the post-cold war world. The monetary union envisaged in the Maastricht Treaty, on the other hand, implies new steps in the sphere of economic and political union, and the incorporation of new countries to produce a Community of 16 or 20 members necessarily involves a fundamental institutional reform to guarantee the governability of the process and the efficiency of the Community institutions.<sup>74</sup> In the year 2000 the European Union may therefore be a structure of a nature

and appearance very different from now. On the other hand, the difficulties posed by the current economic recession, such as the crisis of the European Monetary System in the first half of 1993 and the vigorous debates around the ratification of the Maastricht Treaty and its political implications, show that the Community is passing through a period of uncertainty and *crisis of identity*. This is not unconnected with the Community's awareness of its immediate surroundings to the East, in the Middle East, Maghreb and Mashreq. Ethnic wars — such as the bloody conflict in the former Yugoslavia — emerging nationalisms, religious fundamentalism and the strong demographic and migratory pressures are, for the Community, symptoms of instability and uncertainty. The Community needs stability in its immediate area of influence to be able to complete its own integration process satisfactorily.<sup>75</sup> In the current initial stages of the development of a common European foreign policy, these areas are emerging as high on the list of priorities, and the security and defence dimension is increasing in importance.<sup>76</sup> In short, the Community is examining itself, and outside its boundaries it is looking towards the East and the Mediterranean. As a result, Latin America comes very low down among the Community's priorities in the first half of the 1990s.

#### *New trends in the European Community's development cooperation*

The changes in the international system and the advances in the process of European integration have influenced the orientation and application of the Community's development cooperation policies. Since 1989 Eastern Europe and the Mediterranean Basin have become priority areas, since this is where the Community's main economic and security interests lie, including the sensitive aspect of migration.<sup>77</sup> All this implies that, despite a significant increase in financial resources, Latin America in general and Central America in particular will continue to be on one of the lowest priority levels of Community cooperation.

Significant changes have also taken place in the strategy and instruments for Community cooperation with Latin America. In May 1989 the Commission presented a ten-year report on thirteen years of development cooperation with Latin America and Asia, on the ground that, with two years to go to the Single Market and in view of the changing international scene in the 1990s, the issue required a comprehensive examination.<sup>78</sup> The report emphasises the evolution of the methods of development aid, from project aid to regional programmes and more recently to aid linked to structural

adjustment, and the limitations of annual aid budgets. On the basis of this report the European Parliament suggested that there was a need to produce multi-annual plans and include new areas of cooperation, such as the environment, the role of women in development, the informal economy or urban development, and to replace the relevant Community legislation, which had remained unchanged since 1981.<sup>79</sup> Moreover, since 1988 the Community has become more actively involved in structural adjustment programmes, as shown by the new forms of cooperation with the ACP countries reflected in the Fourth Lomé Convention (1990-2000).<sup>80</sup>

In 1990 the practice of issuing annual *guidelines* for cooperation with Latin America and Asia came to an end, and the first multi-annual *General Guidelines* were drafted.<sup>81</sup> Under these, Community cooperation was to develop along two parallel lines, development aid and economic cooperation. *Economic cooperation* applies to the scientific and technical field, institutional structures, business cooperation, protection of intellectual property rights and structural adjustment. *Development aid* continues to be directed at the poorer countries and the most disadvantaged sectors of the population through mechanisms of financial and technical assistance. As Mandy MacDonald has pointed out, this *two track* model of cooperation shows that, despite the changes, there is no overall approach to Community cooperation in which the macro-economic and *human* dimensions are integrated. This can give rise to contradictory practice, as when assistance is given for economic adjustment programmes that have a detrimental effect on the income of poorer sectors, on the one hand, while at the same time NGOs are entrusted with the social area of cooperation to alleviate in the short term the social effects of adjustment.<sup>82</sup>

In addition to structural adjustment, the most important new elements in these new guidelines were the linking of aid to respect for human rights and fundamental liberties,<sup>83</sup> the establishment of multi-annual programmes and the inclusion of *decentralised cooperation*, under which NGOs in countries receiving aid could be direct recipients of Community assistance. Under this provision ECU 2,750 million were allocated for financial and technical assistance (FTA), of which 35-40 per cent was to go to Latin America, in addition to ECU 1,500 million under other budget heads (food aid, subsidies to NGOs, the environment, refugees, the fight against drugs, etc.).<sup>84</sup> All these elements, as we have seen, had already appeared in San José VIII and IX. The budgetary commitments for 1991-95, which doubled those of the previous period, showed that the Community's increasing involvement with Eastern Europe and the Mediterranean



was not, for the present being reflected in budget cuts. Another interesting tendency is the greater importance given to the private sector as an instrument of Community cooperation, through the EC-IIP programme (European Community International Investment Partners), intended to finance the setting up of joint ventures, especially small and medium ones, as a means of stimulating foreign direct investment, technology transfer and access to the European market.<sup>85</sup>

Many of these elements are included in the Treaty on European Union signed at Maastricht in February 1992. The gradual application of the Maastricht Treaty will have profound implications for the Community's development cooperation policy, and some of these — such as the general application of the *democracy clause* — are already visible in the San José dialogue. The treaty is the first juridical expression that development cooperation is *Community policy*, something that has not previously been stated in the founding treaties of the European Communities. The aims of this policy are the development of the *southern* countries, especially the most disadvantaged, the integration of developing countries into the world economy and the fight against poverty. It is important to note that these aims are in clear contradiction with other Community policies, such as the Common Agricultural Policy (CAP) and trade policy, both of which are notably protectionist towards exports of agricultural produce and some industrial products — such as textiles — from developing countries.<sup>86</sup> Maastricht expressly includes the *democracy clause*, the obligation on the member states to coordinate their national cooperation policies with specific Community policies, and the requirement of *coherence* between the Common Foreign and Security Policy (CFSP), cooperation policy and other common policies, such as that on trade.<sup>87</sup> The lack of coordination between the bilateral policies of the Twelve and those implemented by Community institutions has been hitherto one of the most serious weaknesses of the Community in this area, which has severely limited its effectiveness. This fact is of great importance for the San José dialogue, insofar as the members states' bilateral cooperation has remained on the margins of the ministerial meetings. As can be seen from Table 5, in 1989 the cooperation of the Community and its member states amounted to 25.6 per cent of the total received by Central America, making them the second largest donor after the United States. However, strictly Community cooperation was only 2.5 per cent of the total.

In the Commission's view, constructing a cooperation policy consistent with the aims set out in the Maastricht Treaty implies, in

addition to more resources,<sup>88</sup> a strategy based on five main principles: (a) stabilisation and reconstruction of economies, if necessary with support for structural adjustment programmes; (b) the promotion of competitive economic structures; (c) the integration of southern economies into international trade; (d) the fight against poverty; and (e) the reform of the state and political system, with particular emphasis on democratisation and human rights, which implies that aid should only be granted if the recipient country satisfies certain *minimum requirements* in this area. The Commission has also suggested in this connection that aid should be conditioned on a *reasonable* level of arms expenditure, as compared with spending on social sectors such as health and education. This position coincides with the one which has recently come to the fore in bodies such as the World Bank, as part of its conditionality leading to adjustment policies. This connection was stated at San José IX (San Salvador, 1993) by some Community ministers. With regard to Central America, the Commission pointed out that the priorities for the 1990s would be the consolidation of peace and democratisation processes through political dialogue and economic modernisation through the use of development cooperation instruments.<sup>89</sup>

#### *Future tendencies in the San José dialogue*

The factors and motives — for the most part political — that gave rise to the San José dialogue in the early 1980s no longer exist. The loss of the region's strategic importance, the end of the East-West confrontation and the gradual end of armed conflicts are reinforced by other factors such as the re-establishment of *formal* democracy, the beginning of economic recovery and the partial resolution of some macro-economic imbalances. All these factors give the region a superficial appearance of a *return to normality* that reduces its power to attract the Community's attention. Central America, moreover, is becoming increasingly remote from the Community's foreign policy priorities.<sup>90</sup> With the end of the East-West conflict and the partial resolution of the armed conflicts, Central America no longer has sufficient features to rate as a priority for the international community. After the end of the bi-polar world, even if armed conflicts resume as a result of social difficulties, as is already happening in Nicaragua, there do not seem to be sufficient reasons for relations between the two regions to take the sort of quantitative and qualitative *leap* in the 1990s that they did in the early 1980s. Central America may not even maintain its current importance on the Community's changing foreign policy agenda.



An important reason for this, as Pierre-Henri Laurent has pointed out, is that Europe has come to realise once more that its role in the region is secondary, and that it is the United States, within the Western system, that is called to exercise leadership, control and influence in Central America, and that the region's destiny, within the process of economic globalisation, is bound up with economic integration into the large *economic area* of North America.<sup>91</sup> This is a manifestation of the emerging *neo-trilateralism* in the new world order after the cold war, which implies a *division of labour* in which the European Community will take on increasing global responsibilities, in the strategic and military sphere, among others, in the Mediterranean and Eastern Europe.<sup>92</sup> There also seems to be an increasing consensus between the Community and the North American administration on the situation and prospects of Latin America, both with regard to democracy and with regard to economic and social development strategies, that makes European intervention as a counterbalance no longer necessary, in contrast to the situation of the 1980s.<sup>93</sup> This consensus was shown practically at the time of the US invasion of Panama, which was supported by all the European governments except the Spanish. Finally, it is reasonable to assume that in the coming years Central America will have to share the Community's limited attention and resources with other countries of the region whose potential interest is greater. Some, such as Brazil, Mexico, Chile or Argentina, rate priority for their economic and commercial importance as markets or suppliers of raw materials, others, such as Colombia, Bolivia or Peru, for their role as links in the *chain* of the drugs trade, and others, such as Haiti or again Bolivia, because of their lower level of development.

The 1993 ministerial meeting in San Salvador (San José IX) showed that there are both political and economic forces widening the distance between the regions, which may mean that some aspects of the dialogue increasingly become a *dialogue of the deaf*. In the political sphere, which is declining in importance as a result of the culmination of the peace process and gradual democratisation, the sensitive issue of human rights raises many difficulties. The Community's tendency to link cooperation with respect for fundamental human rights, and also with reduced arms spending, may in future be a factor of discord in view of the relative ideological homogeneity of the region's governments, which encourages the adoption of common positions on the issue; this is all the more likely since human rights violations persist in a number of countries, while participatory democracy, going beyond the formal democracy, is far from a principle fully accepted by large and influential sectors of

Central American society and the potential for instability is still very great. These factors are compounded by the difficulties involved in some countries in the process of demilitarisation.<sup>94</sup> Central American opposition to discussion of these issues in the San José dialogue may increase, and Community assistance is not on a sufficient scale, nor its allocation mechanisms adequate, to influence this issue. The European position on this subject is also weaker now than in the past, since it can be challenged by the Central Americans with reference to racism and xenophobia in Europe. In this respect the San José dialogue is part of a wider debate in which on the one hand the legitimacy of international action in defence of human rights is defended, and on the other the principle of non-interference in a country's internal affairs is asserted. This debate, which is to a large extent a *North-South* debate, came into the open at the United Nations Vienna conference on human rights in July 1993.

Economic issues, a traditional area of disagreement and the one in which the results of the dialogue have been most disappointing, are also leading to increasing distance. The discussion around trade relations, in the Community's view, is taking place in other fora, such as the GATT. The effects of the Single European Market on economic relations are still uncertain, but it is calculated that in the short term they may be detrimental, and that in the long term they will not be relevant in view of the still narrow range of potential Central American exports.<sup>95</sup> In addition, the Community is linking trade preferences and the opening of its markets with the stability of its immediate surroundings, the Mediterranean and Eastern Europe. The absence of satisfactory solutions to the *banana war*, as has been noted, is simply a sign of the growing divergence in economic and commercial interests between the two regions, which are being pulled in different directions by the process of globalisation. Central America, as its integration process advances and meets the *double standard* of the industrialised countries' talk of liberalisation (liberalisation for the South, protectionism in the North), may tend to defend its interests more stoutly and attack European protectionism more vigorously.<sup>96</sup>

The question therefore arises whether in the future the San José dialogue will have any political and economic relevance — in the sense of influencing relations between the two regions, on economic and social development and the consolidation of democracy on the isthmus — or instead it will have a greatly reduced role, limited to the mere management of development cooperation and being a channel of communication between the Community and Central

America, two regions whose foreign policy interests are increasingly divergent. This implies — to address the question that forms the title of this chapter — that it is difficult to expect a reactivation or change, and that continuity or even inertia may be the main features of the dialogue in the coming years. This is not to say, nevertheless, that the dialogue may cease. It is difficult to foresee a regression in a relationship whose status and practical results — in terms of tangible cooperation — can hardly be at a lower ebb. The relationship may even register modest advances, as Celestino del Arenal has suggested, inspired by the beginnings of a Community Foreign Policy (CFSP) within the framework of the application of the Union Treaty,<sup>97</sup> that may lead, over a much longer period, to a gradual process of *universalisation* of Community cooperation policy, taking it beyond its regional compartmentalisation and hierarchy.<sup>98</sup>

Nevertheless, even a cursory observation of the situation in Central America and recent events there would suggest that there are more than enough reasons to give the dialogue some content, from the point of view of those participants concerned with the challenges of peace, democracy and human rights, such as the development NGOs linked to movements with a popular base. The majority of countries in the region, after the crisis and the conflict, are still *poverty democracies* with a high potential for instability and a huge *social debt* that has to be met. In other words, the social crisis of the 1980s still persists, and in some countries has even got worse. The environmental damage has increased. The needs in terms of reconstruction are also enormous. Structural adjustment policies are continuing to have a heavy social cost and recessionary effect. The great themes of the region's economic agenda — trade and foreign debt — remain current. In the face of this, in the interests of both Central America and Europe, within the broader framework of an increasingly necessary North-South dialogue, there remains the possibility, the challenge and even the moral imperative of devising a model of cooperation that is more open and transparent, based on a dialogue conducted on equal terms, directed to meeting the basic needs of the poor majorities, supporting the peace processes, participatory democracy and respect for human rights.

#### 4. The non-governmental dialogue in the 1990s

The dialogue between the European Community and Central America has also had an important non-governmental dimension, created by the NGOs of the two regions, by European solidarity

movements and by the popular organisations of the Central American isthmus. This dialogue has been important for the European solidarity movement and NGOs, which, since the Central American crisis began, have strengthened and diversified their organisational resources, and have succeeded in tapping, for development cooperation, large amounts of private funds and an appreciable portion of the public funds allocated to the region. The dialogue has also been important for the Central American organisations, which have received considerable economic support. This has enabled them to intervene on behalf of the social sectors in Central America most affected by the crisis and the conflicts, and has increased their own capacity as organisations to operate and have an influence in the region, and specifically on the debate about economic and social development options.

These relationships have been mainly informal, and it is only recently that a group of European and Central American NGOs have decided to intervene politically in the area of government decisions by influencing the San José dialogue. Since 1992 (San José VIII, Lisbon), non-governmental development agencies and the peasant organisations grouped in coordinating networks in Central America and Europe have begun lobbying activities with the aim of making the Central American and European foreign ministers aware of the concerns and demands of civil society on human rights, peace, democratisation and social and economic development. The organisations concerned are Asocode (the Association of Central American Peasant Organisations for Cooperation and Development), *Concertación* (the Central American Coordinating Group of Development Organisations), CRIES (the Regional Coordinating Group for Economic and Social Research) and CIFCA (the Copenhagen Initiative for Central America). Throughout 1993 these organisations have conducted a process of consultation and drafting of proposals which included the April 1993 conference *Central American Peasant Organisations: Strategies for Europe*, in order to work out a joint European and Latin American agenda. From the long list of items that make up the relationship between the Community and Central America — which includes among others trade and the Single Market (with special reference to bananas) — I should now like to suggest some possible approaches on the topics of human rights, adjustment and poverty, and a lobbying strategy in the run-up to San José X, which will be held in Greece in March 1994.

*A dialogue that is more open and more receptive to social demands*

The San José dialogue, as a dialogue of governments, has been hampered by the deficiencies in democracy that still persist in Central America, by the *democracy deficit* that is a feature of Community institutions, especially in its emerging foreign policy, and by the lack of openness that has generally characterised the action of some Community institutions, especially the Commission. This situation highlights the imbalance between the importance and experience NGOs have acquired as agents of development on the one hand, and their slight influence on the process of planning and decision-making within the San José dialogue. Although there are already informal channels of communication with governments and Community bodies, the establishment of a channel or forum for dialogue between the San José dialogue and the development organisations, or the regional coordinating networks, would give the inter-governmental dialogue more legitimacy, transparency and openness. It would also give the political policy-makers the chance to hear the voices of the disadvantaged sectors, which are normally unable to make themselves, their situation and demands known at this level. A precedent with relevance to this demand is the contributions made by NGOs to explain the needs and demands of the refugees, which they introduced into the CIREFCA process.

As regards the aim of openness, special mention should be made of the need for rigorous, independent, public evaluations of the effectiveness, scope and results of the development programmes and projects implemented as a result of the San José dialogue. The absence of evaluations is a deeply embedded feature of the *organisational culture* of Community cooperation, connected among other things with the deficiencies of the Commission, which is usually overloaded with work, and with the structural weakness and limited executive capacity of many Central American government institutions, the Commission's usual partners in the execution of projects.

*Peace, democracy and human rights: an unfinished agenda*

The apparent *normality* the region has reached may obscure the inadequacies, defects and backlogs still existing in the process outlined at Esquipulas in 1987. The resurgence of armed conflict in Nicaragua, the failure to carry out the recommendations of the Truth Commission in El Salvador and the events of 1993 in Guatemala — President Serrano's *self-coup*, human rights violations and the

persistence of impunity and armed conflict — are evidence that such *normality* is only apparent. At the same time it must not be forgotten that the adjustment programmes and *poverty democracies* typical of Central America have a high inherent potential for instability.

In this context it would be disturbing if the European Community were to reduce its concern with political events on the isthmus. The *democracy clause* in the recent Cooperation Agreement, which links cooperation with respect for human rights, is a powerful instrument in the hands of NGOs which can enable them to exert the appropriate political pressure. Similar use will have to be made of the emerging link between development cooperation and demilitarisation. There is therefore a need for careful monitoring of possible contradictions and non-compliance with this policy on the part of the European Community in view of the Community's record of using frequent *double standards*, giving priority to considerations of *Realpolitik* rather than its own political commitments.<sup>99</sup> In order to prevent such pressure being presented as *interference in internal affairs*, it is essential that Central American human rights organisations should take a leading role in it. In the event of serious violations, there should be a call for cooperation with the governments implicated to be suspended and for aid to be channelled exclusively through NGOs, so that the population is not deprived of Community aid.<sup>100</sup> From this point of view, in the run-up to San José X the situation of a number of countries on this isthmus requires careful attention: El Salvador, Guatemala and — especially with regard to demilitarisation — Honduras. Strengthening the link between trade and workers' rights to organise is also an important point for lobbying, for example by proposing a link between banana quotas and the recognition of plantation workers' rights.<sup>101</sup>

*Promoting alternative approaches to liberalisation and structural adjustment policies as an anti-poverty strategy*

Human rights, in their economic and social dimension, are directly related to economic and social policies and their effect on poverty. Most of the countries in Central America have chosen *hard* types of liberalisation and adjustment, recessionary in character and with heavy social costs, that have increased poverty and social polarisation. In general there have been no gradualist, less drastic approaches that might have reconciled adjustment, growth and equity. There have been attempts to alleviate the social cost through short-term compensation programmes that do not challenge the nature of

adjustment and its direction. Community cooperation is reinforcing this approach with its *twin track* strategy,<sup>102</sup> and specifically by its support for government *social investment* or *social development* funds. A major lobbying effort should be devoted to putting forward less drastic forms of liberalisation and adjustment that, above all, take account of the *human dimension* of development as an integral part of their macro-economic design, and not as an additional dimension. The European Community has shown its sensitivity and experience in this field on its own territory by devising a regional policy to encourage social *cohesion* as an integral part of its broad plans for liberalisation, deregulation and adjustment such as the Single European Act and Maastricht. The Maastricht Treaty, for example, set up a *cohesion fund* for the poorer countries. The support the Community is giving to the limited social compensation programmes established by the Central American governments does not match this sensitivity or experience.

• *Adjustment, employment and poverty*

Within the framework of the San José dialogue encouragement should be given to the improvement of general health, education and social security systems, with a long-term perspective, and the creation of mechanisms that go beyond social compensation and encourage productive employment and the modernisation and reconversion of sectors affected by liberalisation, such as small peasants and small and medium businesses. Among these, the following should be a priority:

- programmes of credit, training, crop substitution, introduction of technology and/or technical assistance for small producers and small entrepreneurs;
- greater access for poor groups to productive resources such as credit, technology and land, in the case of peasant small-holders and landless rural workers. In urban situations this implies programmes of support for the associative models of the *popular economy*, self-employment and micro-businesses, based on access to credit, technology and training;<sup>103</sup>
- improvements in social policy, to facilitate access to state health and education programmes and services, to enable poor groups to play a fuller role in society, to make an effective productive investment in the country's human resources and prevent the transmission or reproduction of poverty across generations.<sup>104</sup> In this area, support for reforms to make tax systems more progressive, to guarantee the finance and sustainability of such

services, in addition to external financial support for conjunctural compensation programmes, might be a more satisfactory approach.

• *Adjustment, liberalisation and small-scale production*

Special mention should be made of the effects of adjustment and trade liberalisation on small producers, as noted by Asocode. To meet these, the Central American and Community ministers should be asked for practical support for the reconversion and modernisation of production, with emphasis on support for marketing and improving the competitiveness of the sector. This support, which corresponds to the declared priorities of Community cooperation policy, is of great importance to enable small and medium peasant producers to take part in the intra-regional market currently undergoing liberalisation. An important argument in defence of the peasant sector is its importance for absorbing labour in most countries of the region. In this connection the following lines of cooperation may be mentioned, under which the most feasible form of intervention is investment projects under the Community budget line Technical and Financial Cooperation, according to the areas defined in the San Salvador Cooperation Agreement:

- Finance for production support infrastructure;
- Technology transfer for substitution and improvement of crops;
- Training of human resources in agriculture;
- Trade promotion (seminars, fairs, exhibitions, missions, quality standards and certificates);
- Training in standards required for access to markets (quality and health standards, certificates of origin), especially the Single European Market;
- Technological cooperation in the area of tropical agriculture, agroindustry and biotechnology.

A specific proposal for San José X (Greece, 1994) is that Europe should join the *Regional Fund for Agricultural Modernisation and Reconversion*, set up at the thirteenth summit of Central American presidents in Panama in December 1992.<sup>105</sup> This fund is the result of proposals by the regional organisations of small and medium producers (Asocode) and, significantly, was not subsequently mentioned at San José IX (San Salvador, 1993), even though the European ministers expressly referred to the results of the Panama summit. A study should also be made of the possible use in this connection of the *trust fund to increase Central American export*

capacity, to which San José IX transferred the funds allocated to the Regional System of Payments as agreed in Dublin in 1990, and which is managed by the Central American Bank for Economic Integration (BCIE).

• *Adjustment, liberalisation and the environment*

The stabilisation and adjustment policies introduced in the 1980s, when there was no adequate legislation in this field, worsened environmental degradation.<sup>106</sup> The export orientation of these programmes, subordinated to the payment of the debt, involves an intensification of over-exploitation of woodlands, fish stocks and surface waters, and the intensification and expansion of cultivation, with increased use of agricultural chemicals. The export drive, in a context of declining international prices, also presupposes a reduction in production costs to increase competitiveness, which is frequently achieved by transferring these costs to the biosphere as *externalities*. Liberalisation and the promotion of foreign investment have given rise to new concessions over natural resources. Finally, the demand contraction measures in adjustment programmes, by worsening the poverty of the peasant population, also involve greater pressure on natural resources and more rapid deterioration, making even clearer the link between poverty and environmental damage. Through this process Central America, along with other developing countries, is taking on more and more of the hidden costs of global environmental degradation.

These facts are relevant to Community cooperation since Community policy seeks simultaneously to support adjustment and liberalisation measures and environmental conservation. This contradiction can only be resolved beneficially if the Community devotes more attention and resources to issues such as environmental impact assessments, the introduction of modern environmental legislation and projects directed towards sustainable management of resources.

*Devising more complex, varied and long-term methods of lobbying and political pressure*

The decision-making process by which the San José agenda is drawn up, and the detailed cooperation priorities and the destination of funds determined, is long and complex, and involves many bodies and actors. The ministerial meeting is no more than the focal point of a wide-ranging process of interactions lasting throughout the year. The San José agenda is more the result of decisions and

policies adopted in other institutions and fora, on which it is just as important to have an impact as on the San José meeting itself. It is necessary to get to know this process in order appropriately to allocate responsibilities to the Central American and European organisations in a way that reflects their particular geographic constituency, speciality and area of work. It is equally important to discover support, seek alliances, and in general, to take relevant initiatives with timely proposals with the appropriate bodies, with the key people and at the right time.<sup>107</sup> Previous attempts at lobbying are, in this context, a useful learning experience.

The main forum of Central American political cooperation is the annual presidential *summit*, which occasionally, depending on the issues, is accompanied by meetings at ministerial level. The European Community recognises that these meetings have an important role in policy formulation in the region, and shapes its cooperation policy, insofar as this is compatible with its own priorities, in accordance with the criteria outlined by the presidents. As Asocode's experience illustrates, lobbying these *summits* is just as necessary as lobbying at the San José meetings.

As well as the presidential summits, other Central American fora of interest for lobbying are the Group of Ambassadors to the Community in Brussels (GRUCA) and the Central American Parliament. Although not all the countries of the region have yet joined PARLACEN, and it is a different type of institution from the European Parliament, without its legitimacy and powers, the political connections of its members may make it useful to obtain support there.

The importance of the European Parliament has been stressed already in this chapter. Although the Parliament's resolutions are not binding on the Council and Commission, on occasions it has an undeniable political impact. Various commissions and sub-commissions of the Parliament deal with issues of human rights, development policy and relations with Latin America. The Parliament has some limited powers over the budget and to amend legislation, which have been increased with the coming into force of the Treaty on European Union. The European Parliament has traditionally been very active on human rights and democratisation, and has secured important changes in development policy, especially as regards food aid.

Within the Commission, responsibility for the dialogue with Central America has come to lie with Directorate General I (External Relations) and specifically with its Central America and Mexico Unit. Directorate General VIII (Development) is responsible for cofinancing projects with NGOs. Although initiatives in the San José dialogue

have been the responsibility of ministers within the framework of European Political Cooperation (EPC), Commission officials have a considerable degree of power, which normally involves the implementation of aid and the preparation of agendas for ministerial meetings. The Commission's influence is also very great in external trade issues — since this is a full Community policy — and it is the body that enjoys a monopoly on initiating legislation in the Community, the preparation of draft Council Regulations, Directives and Decisions, and for all these reasons it cannot be ignored in lobbying. However, the lack of openness and information that characterises the Commission's activity may create difficulties in this area. Finally, the Commission has a Regional Delegation in San José, Costa Rica, with embassy status, which in turn has its *eyes and ears* or representatives in the different countries. The Delegation is responsible for maintaining political contacts and implementing and carrying through cooperation projects, areas in which it enjoys a certain discretion. Its greater accessibility, and its direct contact with the situation in Central America and the progress of projects, may make it more permeable to NGO proposals.

Finally it would be useful to examine the role that can be played in the process by other possible lobbying targets, such as the secretariats of SIECA and SICA, the relevant ministries, embassies and bilateral cooperation offices of the member states and the in-country coordinators of European NGO programmes.

## Appendix

### The *Banana War* between Central America and the European Community<sup>108</sup>

Although the Community as a whole is the world's largest importer of bananas, until 1992 bananas were the only important agricultural commodity that was not subject to Community regulation. Each Community member state set the conditions of access for bananas to its market in a different way. There were no duties on bananas from member states (*Community bananas*) or African, Caribbean and Pacific states (*ACP bananas*), which enjoyed the trade preferences negotiated under the Lomé Convention. Bananas from *third countries* (or *dollar zone bananas*), however found the European market divided between countries that allowed easy access — the so-called *free market* for bananas — and countries that partly reserved their markets for their own producers and/or for ACP producers, the *protected market*.

The *free market* was made up of Germany, Belgium, Holland, Luxembourg, Denmark and Ireland. All these, except Germany, applied a 20 per cent tariff and were largely supplied by Latin American producers. Germany, for its part, — the second biggest market in the world after the United States — allowed access to third country bananas duty free within a quota that covered almost all its consumption. Only if this quota were exceeded was a 20 per cent tariff applied. The special German situation derived from the *Protocol for banana imports* signed in 1957 and incorporated as an annex to the treaty that established the European Economic Community; the Protocol itself provided that this system could be abolished by the Council of Ministers. Latin American bananas, higher in quality, lower in price and free from tariffs, competed successfully in Germany against Community and ACP bananas, whose production costs are much higher.<sup>109</sup> This situation benefited both consumers and Latin American producers, who became the main suppliers of the German market. In 1990 the price to the consumer of a kilo of bananas in Germany was \$ 1.7, compared with \$ 2.1 in France. Per capita banana consumption in Germany has accordingly become the highest in the Community: 15 kilos per person, compared with 8 kilos in the United Kingdom.

The *protected market* consisted of countries that restricted their markets under preferential agreements. These were France, Italy,

the United Kingdom, Spain, Portugal and Greece. The 69 ACP countries of the Lomé Convention, for some of which bananas are the main source of hard currency, enjoyed preferential access, free of duties,<sup>110</sup> except in the case of Spain, which, under the terms of its entry into the Community, retained a *market reserve* for its own banana production for a transitional period. This preferential access was based on Article 115 of the EEC Treaty, which refers to protective measures applicable to third country products if their access to the market damages member states or their associates.<sup>111</sup> The bulk of the *protected market* was satisfied by Community and ACP production. When total demand was not satisfied, the market also absorbed an appreciable quantity of Latin American bananas, in this case subject to a 20 per cent tariff.<sup>112</sup>

Despite these restrictions, in 1991 Latin America supplied the European Community with 60 per cent of the bananas it consumed (more than 2.4 million of the 3.5 million tonnes the Community imported). ACP countries supplied 19, and Community producers 21 per cent. Around 70 per cent of the two million tonnes imported by the *free market*, and 18 per cent of the imports of the *protected market*, came from Central America.<sup>113</sup> Bananas are a vital commodity for Central American exports. In 1989 they represented 35.5 per cent of Honduras' total exports, 24 of Panama's, 18.6 of Costa Rica's (which is the world's second largest producer), 7 of Guatemala's, and 4.4 of Nicaragua's.<sup>114</sup> In 1990 the region earned almost \$ 900 million in export revenue from banana sales. The bulk of production, however, is controlled by large fruit transnationals, all from the United States, including Standard Fruit, United Brands, Del Monte and Bandeco. Only Nicaragua has its own marketing company, Bananic, which exports to Belgium.<sup>115</sup> Moreover, bananas are one of the few primary products in the world, and the only one in Central America, whose price and terms of trade on the world market have improved,<sup>116</sup> as a result of the large increase in demand that has taken place since 1986. In only five years Community imports of Latin American bananas have doubled, rising from 1.25 million tonnes in 1986 to 2.4 in 1991. Nevertheless, the dynamism of the banana market is overshadowed by the risk of overproduction. The rapid growth of demand and the expectations for the opening of the Community market after 1992 and of the Eastern European markets have led to an uncontrolled expansion of planting, which is having serious environmental and social consequences, such as the large-scale felling of primary forest, the misuse of pesticides and the hiring of workers on extremely unsatisfactory terms.<sup>117</sup>

The fragmentation of the banana market was clearly incompatible

with the Single European Market in force since 1 January 1993, that is, a market without national frontiers within which goods circulate freely. The absence of frontiers also made it impossible to impose on a national level protective measures such as those envisaged under Article 115 of the EEC Treaty. It was therefore necessary to find a uniform trade policy towards third countries — a *common organisation of the banana market* in Community jargon — that might be open to a greater or lesser extent to the outside world. The rapid introduction of a very open regime would certainly make possible a large expansion of Latin American banana exports, but would threaten Community and ACP production because of its lack of competitiveness. A restrictive regime, on the other hand, would damage the interests of the exporting countries and violate the GATT principles of free trade, while not guaranteeing adequate supplies to the Community market, since it currently depends on Latin American supplies and since production in the Community and many ACP countries has negligible capacity for expansion. The *free market* countries formed a bloc in favour of an open regime, which they saw as offering advantages for consumers and for their wholesalers, who marketed Latin American bananas. The countries of the *protected market* — especially France, the United Kingdom and Spain — exerted intense pressure for more restrictive solutions, in the interests of their national producers and those of their former colonies in the ACP states.

In April 1992 the Commission put forward a draft Regulation to the Community's Agricultural Council in which it suggested a system of quotas and tariffs for third-country producers. The proposal, the Commission claimed, sought to achieve a *balanced solution*, guaranteeing the survival of Community and ACP producers and access to Latin American bananas. Under the Commission's proposal, a quota of 2 million tonnes, reviewable annually, would be established, subject to a tariff of 20 per cent. Imports above this quota would bear a tariff of 170 per cent. ACP bananas would maintain their preferential access, duty free, and Community producers would also benefit from the help provided for under the Common Agricultural Policy.

This proposal was regarded as restrictive by the Latin American governments, which mounted an intense diplomatic campaign to avoid the imposition of quotas. In June the presidents of Honduras, Costa Rica and Panama toured the Community and put the producers' views to the President of the Commission, Jacques Delors, demanding an open and transparent system, based on uniform tariffs. In November, at the insistence of Spain, the Commission put



forward a complementary proposal: the establishment of a cooperation fund for the Central American isthmus to support crop diversification, financed from the proceeds of the tariff.<sup>118</sup> This proposal, however, was rejected by the Central American presidents, on the ground that it would do no more than make up for the losses resulting from the quota system, but also, presumably, because it would damage the interests of the fruit transnationals, which make most of their profits from the marketing process.<sup>119</sup> The producing countries also took advantage of the second *Ibero-American Summit*, held in Spain in October 1992, to demand fair treatment and to stress the contradictions of Spanish and Community policy on the issue, and in particular the commitments inherited by the Community in the various rounds of San José which promised that a solution would be adopted that took account of their interests, and the declarations that the Single Market would not mean the construction of a *Fortress Europe*. The producers found an ally among the Twelve in Germany. Germany, echoing Central American views, and also defending its own interests, argued that the new regime was not satisfactory for anyone: it guaranteed neither market access for producers nor adequate supplies for the European market. The extraordinary tariff, once the 2 million tonne quota was exceeded, would raise prices excessively. The Community and ACP producers, on the other hand, were unable to take advantage of the protection by increasing production, nor would this be desirable because the underlying problem was their lack of competitiveness, and this implied a difficult process of reconversion to other crops. Finally, according to the German argument, lack of supply and the increase in price would also not meet the needs of consumers, and could reduce banana consumption.

In February 1993 the conflict reached its climax. On 10 February eight Latin American producer countries belonging to UPEB met in Guayaquil (Ecuador), repeated their condemnation of European protectionism and announced their decision to submit a petition to GATT asking it to declare that non-tariff barriers, such as quotas, are not admissible.<sup>120</sup> On 13 February, however, the Council of Ministers approved the Regulation that finally established the new banana trade regime, applicable from 1 July 1993.<sup>121</sup> The new Regulation established a system of compensatory aid for Community producers up to a level of 854,000 tonnes, distributed as follows: Canary Islands 420,000t, Guadalupe 150,000t, Martinique 219,000t, Madeira, Azores and Algarve 50,000t and Crete and Laconia 15,000t, together with bonuses for growers who ceased production. With regard to trade with third countries, the Regulation

introduced a *tariff quota* of 2 million tonnes of bananas from third countries and from *non-traditional ACP countries* (new ACP countries included in Lomé IV). Imports from third countries would be subject to a tariff of ECU 100 per tonne and from ACP countries to a zero tariff. The contingent could be modified by the Commission and Council if consumer demand increased, in accordance with an *Annual Forecast Plan of Production and Consumption*. Imports above this tariff quota would be subject to tariffs as follows: non-traditional ACP bananas, ECU 750 per tonne, third-country bananas, ECU 850 per tonne. The tariff quota, finally, was distributed as follows: 66.5 per cent to companies that had traded in third-country or non-traditional ACP bananas, 30 to companies that had traded in Community or traditional ACP bananas and 3.5 to companies established in the Community that since 1992 had traded in bananas other than Community and/or traditional ACP.

Latin American producers were those most hurt by this regime. The UPEB estimated that it would cause a fall of 30 per cent in production and the direct loss of 174,000 jobs. Only a few days later, at the San José IX meeting (San Salvador, 22-23 February 1993), the Central American ministers also argued that the Community was ignoring the principle of the Most Favoured Nation clause operating in trade relations between the two regions and violating the principle of reciprocity in not matching the efforts of the Central American states to liberalise their markets. The Community replied that the new system sought to achieve a *fair and workable balance* between Latin American interests, those of Community producers and its obligations to the ACP countries. Some ACP countries depend on bananas for over a third of their exports, and some countries in the English-speaking Caribbean — for example, the Windward Isles — are not only heavily dependent on bananas for obtaining foreign currency, but would also have difficulty in modernising because production is based on small-holdings; in the Canary Islands alone 35,000 workers depend on bananas, which represent about 50 per cent of agricultural production. The Community also argued that these were transitional measures designed to allow the reconversion of the industry, which was certainly less competitive than that of Latin America, that the main beneficiaries of a complete opening in the Community would be transnationals based in the United States rather than producer countries, and that this way of regulating the market was necessary to avoid a *price war* like that which devastated the international coffee market, with heavy losses to the economies of the producer countries and the peasant incomes. The Central American argu-



ments were also described as *unrealistic* in trying to apply the principles of liberalism to the Common Agricultural Policy, which is based on a protectionist approach supported by important pressure groups, and to the trade policy of the Community, which has traditionally intervened in markets for its own advantage.<sup>122</sup>

The next major episode in the *banana war* took place in the middle of 1993. In a final attempt to block the application of the new regime, on 14 May 1993 Germany applied to the European Court of Justice to have the measures in the Regulation of 13 February relating to imports of *third-country* bananas annulled, and to have provisional measures adopted that would in practice mean the exclusion of Germany from the common organisation of the banana market. On 29 June, however, the Court rejected these demands, leaving the way clear for the new trade regime to come into force on 1 July 1993.<sup>123</sup> The applications submitted to the Court by the fruit transnationals and import companies based in Europe were also rejected.<sup>124</sup>

The conflict, however, is far from over. The introduction of the Community measures during the second half of 1993 and 1994 may have noticeable effects on prices and supply, which will give new arguments to defenders of both liberalisation and protection within the Community. The possibility of altering the contingents each year gives the producer countries a new avenue for pressure. The *banana war* between the European Community and Central America, in short, is no more than one more chapter in an old quarrel between the industrialised North and the South that is still dependent on exports of primary products. The quarrel has already been raised at UNCTAD and GATT, and is made worse by the process of globalisation of world markets. It is necessary to organise the markets for primary products in a fair manner,<sup>125</sup> avoiding the risks associated with overproduction — price falls, deterioration in terms of trade and cyclical price instability on the international market — monopoly control by a small number of transnational companies and agricultural protectionism. There must be guarantees of fair incomes for producers and in addition, it is important to add now, proper conditions for workers and safeguards for the environment: these aspects should also be core elements of a *popular agenda* in this conflict.

**TABLE 1**  
**Trade relations Central America - European Community**  
(all in percentages)

*European Community: imports according to origin 1982-1988*

year	A	B	A+B	LDC	ACP	CACM
1982	50.1	25.4	75.5	24.5	2.92	0.14
1985	52.3	25.9	78.2	21.8	3.39	0.13
1988	57.7	26.2	83.9	16.1	1.74	0.11

A: Within EC; B: From other industrialised countries and COMECON.

*European Community: exports according to destiny 1982-1988*

year	A	B	A+B	LDC	ACP	CACM
1982	54	23	77	23	3.2	0.09
1985	54	26	80	19		0.08
1988	60	25	85	15	1.6	0.07

*Central America: exports according to destiny 1978-1988*

Region	1978	1982	1986	1988
United States	32.2	31.5	42.8	38.5
EC	27.2	23.2	26.7	24.1
Japan	5.3	4.9	5.1	3.8
CACM	22.3	22.3	19.8	14.5
Others	13.0	18.1	14.6	19.1

*Central America: Imports according to origin 1978-1988*

Region	1978	1982	1986	1988
United States	32.6	30.2	31.4	38.9
EC	15.2	14.4	15.3	15.1
Japan	10.8	4.3	6.4	5.9
CACM	18.6	16.9	10.0	10.4
Others	22.8	34.2	36.9	29.4

Source: Menjivar, R and De la Ossa, A (1991) *Relaciones comerciales CEE-Centroamérica* (San José: FLACSO) p. 22/24/27, quoting dates from IMF and SIECA.

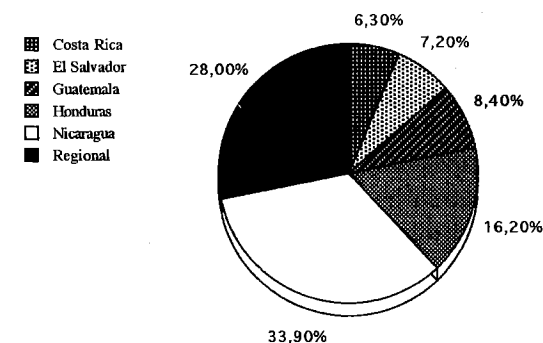
**TABLE 2**  
*EC Aid to Central America and Panama 1979-1990*  
(allocations, in million ECU)

	79	80	81	82	83	84	85	86	87	88	89	90*
Costa Rica	0	0	0	18.32	0.73	0.51	13.78	0.02	0.9	0.18	5.66	6.77
El Salvador	0.36	0.56	0.91	2.21	1.97	2.94	7.73	1.74	19.64	2.20	4.05	3.1
Guatemala	0.05	0.12	0.04	0.81	0.93	0.88	1.41	14.94	9.22	14.11	7.13	0.7
Honduras	5.34	9.96	3.77	21.25	17.75	3.06	4.63	15.3	6.47	5.92	3.3	3.91
Nicaragua	3.10	4.85	12.59	22.45	16.0	11.49	23.02	21.93	17.92	35.13	16.8	26.48
Panama	0	0.02	0	0.02	0.25	0	0.03	0.09	0.16	0.47	0.4	4.3
Regional	0	2.70	1.6	3.2	1.4	20	22.65	2.9	22	39.9	53.03	21.36
<b>TOTAL</b>	<b>8.85</b>	<b>18.21</b>	<b>18.91</b>	<b>68.26</b>	<b>39.03</b>	<b>38.88</b>	<b>73.25</b>	<b>56.92</b>	<b>76.31</b>	<b>97.91</b>	<b>90.37</b>	<b>66.62</b>

\* Provisional figures; not including commitments regarding financing of the Regional Payments System.

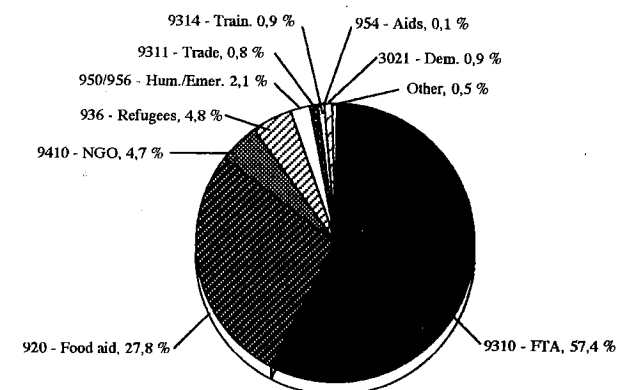
Source: Regional Delegation of the Commission of the European Community, San José, Costa Rica, 1992

**TABLE 3**  
*Distribution of EC aid by country 1980-1990*



Source: Visser, E and Wattel, C. (1991) 'Las relaciones de cooperación entre la Comunidad Europea y América Central,' Raul Ruben and Govert van Oord (eds.), *Más allá del ajuste: La contribución europea al desarrollo democrático y duradero de las economías centroamericanas* (San José: DEI) p. 101, using dates from the Regional Delegation of the Commission of the European Community in Costa Rica, 1990.

**TABLE 4**  
*Main categories of EC Official Development Aid to Central America, 1980-1989 (percentages of total)*



FTA: Financial and Technical Assistance; NGO: Funding of NGOs with projects in Central America; Refugees: self-sufficiency of refugee and displaced populations; Hum./Emer.: Humanitarian and Emergency aid; Trade: Development of trade; Train.: Human Resources training and grants for Central American citizens to study in the EC; Aids: Fight against aids; Dem.: Support for democratisation.

**TABLE 5**  
Comparison of main donors to Central America  
Commitments of Official Development Aid (ODA) 1981-1989

(percentages)

	1981	1982	1983	1984	1985	1986	1987	1988	1989
EC-Multilateral	2.4	6.6	1.6	1.4	1.6	2.0	3.7	3.6	2.5
EC-Member states	13.9	9.3	8.9	13.3	12.7	14.3	11.3	20.2	20.1
United States	27.9	48.3	50.9	57.9	60.0	55.7	57.1	52.6	40.0
Japan	1.4	1.5	5.6	1.1	8.5	2.2	1.4	4.1	9.3
COMECON	6.6	7.6	9.1	7.1	1.5	3.0	2.4	2.3	8.9
Other Multilateral	47.8	26.8	24.0	19.2	15.8	22.7	24.1	17.1	19.2
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Total in million \$	648	902	1,059	1,090	1,437	1,257	1,702	1,569	1,494

Source: OECD

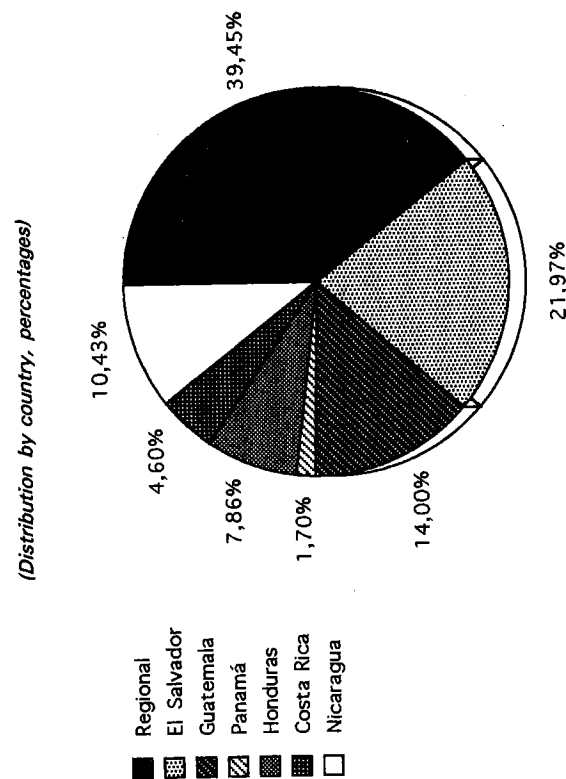
**TABLE 6**  
EC Development Cooperation with Central America  
Funds approved or in stage of implementation (September 1993)

(Distribution by country and by category of cooperation, in thousands of ECUs)

Category	Region	Costa Rica	Salvador	Guatemala	Honduras	Nicaragua	Panama	TOTAL	% total
Technical/Finan.	210,600	20,400	85,800	64,500	37,250	24,200	8,600	451,350	77.57
Food Aid	0	0	15,050.4	3,691	4,996.3	10,148.5	0	33,886.3	5.82
Emergency Aid	0	0	0	0	0	200	0	200	0.03
Refugees	330	1,460	18,577	6,800	1,210	20,426	0	48,803	8.38
Democratisation	2,251	461	3,173	2,046.1	1,192	1,996	1,004	12,123.1	2.08
Women & Devel.	96	0	86.9	0	0	0	0	182.9	0.03
Training	6,369.1	0	1,807	0	457	670	85.4	9,388.5	1.61
Regional Integr.	1,770.8	0	0	0	0	0	0	1,770.8	0.30
Energy	2,535	0	0	500	0	0	0	3,035	0.52
Export prom.	2,605	480	1,250	1,405	0	221.7	0	5,961.7	1.02
Industrial	674.6	0	0	0	0	0	0	674.6	0.11
EC-IP	0	58.9	22.9	0	121.6	33	0	236.5	0.04
Ecology	0	1,086.4	0	0	0	0	0	1,086.4	0.19
Tropical Forest	998.5	651.6	0	0	0	123.8	0	1,773.8	0.30
Science/Techn.	1,140	2,114	0	637.7	330	250	178.4	4,650.1	0.78
NGO Cofinancing	450	0	1,928.1	1,793	149.5	2,339.4	33.4	6,693.6	1.15
<b>TOTAL</b>	<b>229,320.1</b>	<b>26,711.9</b>	<b>127,695.5</b>	<b>81,372.9</b>	<b>45,706.5</b>	<b>60,608.4</b>	<b>9,901.2</b>	<b>581,816.7</b>	<b>100.00</b>

Source: Regional Delegation of the Commission of the European Community in San José, Costa Rica, October 1993.

**TABLE 7**  
**EC Development Cooperation with Central America**  
**Funds approved or in stage of implementation (September 1993)**



Source: Regional Delegation of the Commission of the European Community in San José, Costa Rica, October 1993.

## NOTES

1. This is a corrected and expanded version of a paper delivered at the TNI-Conference *Central American Peasant Organisations: Strategies towards Europe*, 22 and 23 April 1993 in Wageningen, the Netherlands. I am grateful to Celestino del Arenal, José Angel Sotillo, Manuela Mesa and Kees Biekart for revising the first version of the text and for their valuable comments and ideas. Nevertheless the opinions expressed and remaining errors or omissions are the sole responsibility of the author.

2. Germán Granda, Víctor Maté, Mario Moreno, *La cooperación entre América Latina y Europa* (Madrid: CIDEAL, 1988) p. 16.

3. Celestino del Arenal, 'La Comunidad Europea y América Latina: ¿En los umbrales de una nueva etapa?', *Sistema* 114-5, Madrid, June 1993, p. 236.

4. Various estimates indicate that up to 1987 direct investments in Central America by member states of the Community amounted to \$1000 million in shares of 154 companies. Central America's external debt to Europe was also not large, totalling some \$2000 million, about 10 per cent of its total foreign debt, and direct investment about \$1000 million, spread across 154 companies. See Evert Visser and Cor J. Wattel, 'Las relaciones de cooperación entre la Comunidad Europea y América Central,' Raul Ruben and Govert van Oord (eds.), *Más allá del ajuste: La contribución europea al desarrollo democrático y duradero de las economías centroamericanas* (San José: DEI, 1991) pp. 78 and 116; Alvaro de la Ossa, *Relaciones financieras CEE/Centroamérica* (San José: FLACSO, 1990) p. 50.

5. Rafael Menjivar and Alvaro de la Ossa, *Relaciones comerciales CEE/Centroamérica* (San José: FLACSO, 1991) p. 42.

6. United Nations, 'Plan Especial de Cooperación Económica para Centroamérica (PEC)', *Panorama Centroamericano* 15-16, Guatemala: INCEP, 1988, p. 114.

7. *Stabex* is a price stabilisation fund for exports of raw materials or minimally processed commodities from the ACP countries, to take account of price fluctuations resulting from market changes or variations in production. It covers 46 agricultural commodities (including coffee, cacao, cotton, oilseeds, bananas, tea and palm oil) and, since 1984, iron ore. Under Lomé III it was worth ECU 1,192 million. *Sysmin* is similar in conception to Stabex, but relates to minerals. Under Lomé III it was worth ECU 360 million. Finally, *Compex* is a stabilisation system for less advanced countries (LDCs). The protocols for bananas, rum and sugar, in addition, establish guaranteed prices through a system of quotas that, in the case of sugar, cover 1.3 million tonnes. The fall in sugar prices on the world market since 1975 has transformed this mechanism into a system of preferences. See Commission of the European Communities, *From Lomé III to Lomé IV: Review of aid from the Lomé Conventions at the end of 1989* (Brussels: Commission, 1991) pp. 16, 18.

8. Guido Ashoff, *La cooperación para el Desarrollo entre la Comunidad Europea y América Latina: Experiencias y Perspectivas* (Madrid: IRELA, 1989) p. 7.

9. Edelberto Torres-Rivas, 'Ocho claves para entender la crisis política en Centroamérica', *Polémica* 1, San José: ICADIS, Sep-Oct 1981, pp. 6-18.
10. Victor Bulmer Thomas, *The Political Economy of Central America since 1920* (Cambridge: Cambridge University Press, 1987).
11. Lilia Bermúdez, *La guerra de baja intensidad: Reagan contra Centroamérica* (Mexico: Siglo XXI, 1989), 2nd ed., p. 207.
12. The divisions and lack of consensus between Democrats and Republicans in the early 1980s have been analysed by Cynthia J. Amson, *Crossroads: Congress, the Reagan Administration and Central America* (New York: Pantheon, 1989) pp. 52, 208, and Gaston A. Fernandez, 'La Erosión del 'Concierto Liberal': Discusión y Debate sobre la Política de Ayuda Exterior de Estados Unidos a América Central 1980-85', *Relaciones Internacionales* N°. 14, 1er trimestre de 1986, pp. 23-29.
13. Although this chapter is concerned with the European Community, it is important to stress the important role played in Central America by the Nordic countries that are not members of the Community (Norway, Sweden and Finland) and which in this period has social democratic governments. Together with Denmark — a member of both the Nordic Council and the Community — these countries promoted negotiated solutions to the crisis, democracy and respect for human rights, and actively defended the principles of national sovereignty and self-determination, especially in the case of Nicaragua. On this see the detailed study by Vegard Bye, *Nordic Cooperation with Central America. From Symbolic Solidarity to a Vital Partnership* (Oslo: NUPI, 1992); Xavier Gorostiaga, 'El contexto internacional y la cooperación nórdica en Centroamérica', *Cooperación externa y desarrollo en Centroamérica* (San José: Concertación, 1990) pp. 53-62.
14. Mandy MacDonald, *Ayuda Europea para Centroamérica: Límites y Posibilidades* (San José: Concertación Centroamericana de Organismos de Desarrollo, 1991) p. 35.
15. Fernando Morán, 'El Papel de Europa en Centroamérica', *Tiempo de Paz* N° 7, fall 1985, pp. 78-84.
16. Cristina Eguizábal, 'Los partidos políticos europeos y la reconstrucción de Centroamérica', Roy, Joaquín (ed.) *La reconstrucción de Centroamérica: el papel de la Comunidad Europea* (Miami: University of Miami, 1992) pp. 275, 285. See also Eusebio Mujal León, *European Socialism and the Conflict in Central America* (New York: Praeger, 1989).
17. Andrew J. Pierre (ed.), *Third World Instability: Central America as a European-American Issue* (New York: Council on Foreign Relations, 1985); and James D. Spence, *Latin America, Europe and the US* (Madrid: IRELA, 1989) pp. 7, 46.
18. See Angel Viñas, 'El papel de Centroamérica en la política exterior de la Comunidad Europea,' Roy (1992) p. 72; and Andrew Crawley, 'La Comunidad Europea y América Central', *Las relaciones entre España y América Central 1976-1989* (Barcelona: CIDOB/AIETI 1989) p. 165.
19. Laurence Whitehead, 'La identidad de la nueva Europa y el proceso de San

- José, Roy (1992) p. 146.
20. About European Community support to democratisation, see José Angel Sotillo y María Muñiz, *El Apoyo de la Comunidad Europea a la Democracia en América Latina*, Madrid, October 1993 (mimeo, forthcoming).
21. Cristina Eguizábal, 'Los partidos políticos europeos y la reconstrucción de Centroamérica', Roy (1992) p. 289; See also Spence (1989) p. 37.
22. See Carlos Rico, 'La influencia de factores extrarregionales en el conflicto Centroamericano. El Socialismo Europeo, la Alianza Atlántica y Centroamérica: ¿Una historia de expectativas frustradas?', *Pensamiento Iberoamericano* N° 13, January-June 1988.
23. Celestino del Arenal and Alfonso Nájera, *España e Iberoamérica: De la Hispanidad a la Comunidad Iberoamericana de Naciones* (Madrid: CEDEAL 1989) p. 53, and Celestino del Arenal and Alfonso Nájera, *La Comunidad Iberoamericana de Naciones: Pasado, presente y futuro de la política iberoamericana de España* (Madrid: CEDEAL, 1992) p. 222.
24. Joan Piñol i Rull, 'Las relaciones españoles con Centroamérica. El periodo de los gobiernos socialistas', *Las relaciones entre España...* 1989, p. 35, Celestino del Arenal (b), 'La Política Iberoamericana de los Gobiernos socialistas', *Curso de Derecho Internacional de Vitoria-Gasteiz* (Bilbao: Universidad del País Vasco, 1993) p. 180; Albert Galinsoga, 'La política centroamericana de la Comunidad Europea: balance y perspectivas (una visión desde España)', Roy (1992) pp. 167-188; *España y la política centroamericana de la Comunidad Europea* (Madrid: IRELA, 1991).
25. The support of Felipe González and the Socialist International for the Sandinistas in Nicaragua and the FMLN in El Salvador, led to a difficult relationship with the governments of Costa Rica (Monge and especially Arias never concealed their deep hostility to the Sandinistas), El Salvador (Duarte mistrusted Spanish *prosandinismo* and the refusal to send Spanish observers to the Salvadorean elections in order not to give them democratic legitimacy), Honduras (because of its links with the USA) and Guatemala, with which diplomatic relations had been broken in 1980 because of the attack on the Spanish embassy by government security forces. Mexico also initially expressed hostility to Spanish attempts at mediation on the ground that it was a government from outside the region.
26. A general discussion of this aspect is Celestino del Arenal, 'La adhesión de España a la Comunidad Europea y su impacto en las relaciones entre América Latina y la Comunidad Europea', *Revista de Instituciones Europeas* No 2, vol. 17 (1990), pp. 317-37. See also Juan Pablo de Laiglesia, 'Las relaciones entre la Europa de los Doce y América Latina: Un proceso de cambio acelerado', *Pensamiento Iberoamericano* N° 13, enero-junio 1988, p. 141; Gabriel Roszenweig, *España y las relaciones entre las Comunidades Europeas y América Latina* (Madrid: IRELA, 1987); Afonso Nájera, 'Aproximación a las relaciones entre España y América Latina tras la adhesión española a la Comunidad Europea: las dificultades de una mediación', en *Política y Sociedad* N° 4, 1989, pp. 33-39; María Muñiz, 'Relaciones Europa-América Latina a partir de la integración de España a la Comunidad Europea', *ibid*, pp. 41-53.

27. Arenal (1993) p. 240.
28. Roy H. Ginsberg, 'Acciones de política exterior de la Comunidad Europea 1986-1990: Las políticas de escala', Roy (1992) p. 35.
29. Viñas (1992) p. 73.
30. Carlos M. Bru and Gustavo Palomares, 'El Parlamento Europeo y las relaciones entre la Comunidad Europea y América Latina', *América Latina: De la marginalidad a la inserción internacional* (Santiago de Chile: CIPRE, 1993) pp. 152, 154.
31. For the case of Guatemala, see AVANCSO, *Política Exterior y Estabilidad Estatal* (AVANCSO: Guatemala 1989) pp. 103 and 119.
32. Alberto van Klaveren, 'Las políticas latinoamericanas hacia Europa: Los desafíos pendientes', *América Latina Hoy* 4 (July 1992), p. 11.
33. Rafael Estrella, 'Un nuevo modelo de relaciones', *Europa-América Latina: El desafío de la Cooperación* (Madrid: PREAL/Pablo Iglesias, 1988) p. 74.
34. For this study I have used the edition of the Joint Communiqués of the San José meetings I-VIII (1984-91), and the Cooperation Agreement and the minutes of the Mixed Commissions, produced by the Instituto Centroamericano de Estudios Políticos (INCEP), 'Las relaciones Europa-Centroamérica: Diálogo Político y Cooperación Económica 1984-1991', *Panorama Centroamericano* 4/91, Guatemala: INCEP, 1991. For later texts I have used the documents produced by the Community bodies.
35. María Eugenia Gallardo, *La Iniciativa para la Cuenca del Caribe: su impacto en Centroamérica* (San José: FLACSO, 1988); Stuart R. Tucker, 'Desentramamiento del comercio: evaluación de la Iniciativa para la Cuenca del Caribe', William Ascher & Ann Hubbard (ed.) *Central American Recovery and Development: Task Force Report to the International Commission for Central American Recovery and Development* (Sanford Commission) (Durham: Duke University Press, 1989).
36. The Cooperation Agreement with Central America is published in the *Official Journal of the European Communities* (OJ) L172 of 30 June 1986, as Council Regulation No 2009/86. The agreement with the Andean Pact (Bolivia, Colombia, Ecuador, Perú and Venezuela) can be seen in OJ L153/1 of 8 June 1984, as Council Regulation 1591/84.
37. Ashoff (1989) pp. 26-7.
38. Tom Barry & Debra Preusch, *The Soft War: The Uses and Abuses of US Economic Aid in Central America* (New York: Grove Press, 1988) p. 18.
39. José A. Sanahuja, *Los EE.UU. en Centroamérica 1980-1990: ¿Ayuda económica o seguridad nacional?* (Bilbao: Hegoa, 1992) p. 23.
40. The priorities and mechanisms for Community Financial and Technical Assistance (FTA) are regulated by Council Regulation 442/81 of 17 February 1981, on financial and technical aid to the developing countries of Latin America and Asia, see *Official*

- Journal* L48 of 21 February 1981, and from 1992 in the Council Regulation (EEC) 443/93 of 25 February 1993, in *Official Journal* L52, 27 February 1993, p. 1.
41. Gerardo Timossi, *Centroamérica. Deuda externa y ajuste estructural: las transformaciones económicas de la crisis* (San José: CRIES/DEI, 1989).
42. José Roberto López, *Las relaciones económicas entre la Comunidad Europea y América Central durante los años ochenta: Balance y perspectivas* (Madrid: IRELA, 1990) p. 27.
43. The Cooperation Agreement was signed at a time when trade within the CACM was reaching its nadir. In 1984 Nicaragua and Costa Rica were on the point of breaking off diplomatic relations, and the CACM Economic Council — which had not met since the end of the 1970s — had to hold a hurried meeting at the request of the Europeans to provide a common counterpart for the Community at San José I. See López (1991) p. 4.
44. This was the assessment made in 1990 by Serge Abou, Head of the Mexico-Central America Division of the Directorate General of Foreign Relations (DG I) of the European Commission. See Serge Abou, 'La Comunidad y la integración económica en Centroamérica', *Le Monde Diplomatique* (Spanish edition), January 1990.
45. As well as the large-scale structural transformations undertaken in Nicaragua by the Sandinista government, the Christian Democratic governments of El Salvador and Guatemala introduced timid programmes of reform, largely as part of counter-insurgency policy, which included tax reform.
46. On the negative impact of food aid on agricultural production and cattle raising, employment and the balance of payments, see CEPAL, *Istmo Centroamericano: Seguridad alimentaria y política macroeconómica en el decenio de 1980* (Mexico: CEPAL, April 1991); and Rachel Garst, *La Ayuda Alimentaria al Istmo Centroamericano* (Panamá: CADESCA, 1992) p. 172 ff.
47. CRIES-ECAI, *Las ONGs y la sociedad civil en Centroamérica: Informe síntesis regional* (Managua: CRIES, November 1990) duplicated, pp. 17, 22.
48. Fernando González Davison, 'La cooperación internacional con Centroamérica', *Comercio Exterior* vol. 41, no 2, Mexico: February 1991, p. 201; 'Plan Especial de Cooperación con Centroamérica', *Panorama centroamericano* 15-16, Guatemala: May-August 1988, p. 87.
49. Points 67-72 of the Special Plan.
50. On this see *El Parlamento Centroamericano y la experiencia europea*, (Madrid: Fundación Friedrich Ebert/Instituto de Cooperación Centroamericana, 1990).
51. Francisco Bataller, 'Economic Integration and the Strengthening of Economic and Political Pluralism in Latin America', OECD, *Development and Democracy: Aid Policies in Latin America* (Paris: OECD, 1992) p. 42.
52. San José IX, Joint Economic Communiqué, point 19.

53. These views are, in essence, those of the 'Washington consensus', the term coined by John Williamson, 'What Washington means by Policy Reform' and 'The Progress of Policy Reform in Latin America', John Williamson (ed.), *Latin American Adjustment* (Washington: Institute for International Economics, 1990). See also, 'Sisters in the Wood: A Survey of the IMF and the World Bank', *The Economist*, 12 October 1991, p. 42.

54. Mónica Hirst and Maria Luisa Streb, 'Desarrollos recientes del proceso de integración', *Los procesos de integración económica en América Latina* (Madrid: CEDEAL, 1993) p. 4.

55. IRELA, *La 'revolución silenciosa': Las nuevas economías en América Latina* (Madrid: IRELA, 1992a) p. 2.

56. Council Regulation 3900/91 of 16 December 1991.

57. The so-called 'development effect' of the Single Market was the Community's main answer to charges that it was constructing a 'Fortress Europe'. This position is based on the results of a report by Paolo Cecchini, *Europa 1992: una apuesta de futuro (Informe del proyecto de investigación "el coste de la no-Europa")* (Madrid: Alianza editorial, 1988). The debate on the potential positive and negative effects of the Single European Market on trade relations with Latin America, appears synthesized in Klaus Bodemer, 'El mercado común de 1992: ¿Más bienestar para todos o un paso adicional hacia la periferización del tercer mundo?', *Cuadernos del CLAEH*, vol. 17, 1992/2, pp.109-119.

58. Visser and Wattel (1991) p. 108.

59. According to data provided by the Delegation of the Commission of the European Community for Central America, October 1993. The figures for 1993 include ECU 101 million already executed and ECU 66,6 million promised.

60. European Community International Investment Partners.

61. Of the NGOs and Central American institutions that have received Community funds, could be mentioned among others, the *Federación de Entidades Privadas de Centroamérica y Panamá* (FEDEPRICAP), an entrepreneurial organisation; the *Instituto Centroamericano de Administración de Empresas* (INCAE); the *Universidad Centroamericana* (UCA) in El Salvador; the *Universidad para la Paz de las Naciones Unidas*, in Costa Rica; the *Federación Guatemalteca de Escuelas Radiofónicas* (FGER) and *Casa Alianza*, in Guatemala; and the *Fundación Arias*, in Panama. In the field of Human Rights, organisations have received funding such as the *Comisión de Derechos Humanos de Honduras* (CODEH), the *Asociación Centroamericana de Familiares de Desaparecidos* (ACAFADE), the *Comisión de Derechos Humanos de Costa Rica* (CODEHU), the *Comisión de Derechos Humanos de El Salvador*, the *Coordinadora de Derechos Humanos de Centroamérica* (CODEHUCA), and the *Coordinadora Popular de Derechos Humanos de Panamá* (COPODEHUPA).

62. There is a lengthy bibliography covering this controversy. See Ana Sojo, 'La focalización en política social', *Pensamiento Iberoamericano* 18 (1990), pp. 307-10; FONVIS, *Los fondos de desarrollo social: Experiencias en América Latina*, Documen-

tos del I Seminario Internacional sobre Fondos de Desarrollo Social (Santiago de Chile: FONVIS, 1990); Rolando Franco, *Los Fondos de Inversión y de Emergencia Social en Centroamérica y Panamá: su papel en el desarrollo social* (Santiago de Chile: ILPES, n.d.); Elsa Lily Caballero Zeitún, *El rostro humano del ajuste o un ajuste sin dimensión humana* Ruben and Van Oord (ed.) (1991), pp. 271-306.

63. The meeting was attended by ministerial representatives from the twelve European governments, the Commission of the European Communities — in the person of its development commissioner, Manuel Marín — the six Central American governments of the Central American Integration System (SICA) — the five members of the CACM plus Panama — the governments of the Group of Three as cooperating countries — Mexico, Venezuela and Colombia, and representatives of the general secretariats of SICA and SIECA.

64. As part of the Peace Accords the government and the FMLN agreed to set up a Truth Commission of three members appointed by the United Nations with a mandate to investigate the grave acts of violence that took place between January 1980 and July 1991, and to make legal, political and administrative recommendations to prevent the repetition of such actions, end impunity and contribute to national reconciliation. Although the commission had no judicial power, both the government and the FMLN undertook to carry out its recommendations. The report, entitled *From Madness to Hope: the Twelve Years' War in El Salvador*, was presented in March 1993. It covers 22,000 complaints of violations of human rights and international humanitarian law. The commission allocated responsibility in the following proportions: 60 per cent to members of the armed forces, 25 per cent to other security forces, 10 per cent to 'death squads' and 5 per cent to the FMLN.

65. *Inforpress Centroamericana*, 12 March 1993; Any Cabrera, 'CE-CA: cooperación y discordia', *Tendencias* 18, San Salvador, March 1993.

66. Article XXIV of the General Agreement on Tariffs and Trade (GATT).

67. Point 29 of the Joint Communiqué.

68. A rigorous evaluation of this programme is necessary, in view of its scale and the effects anticipated. Its short life (no more than a year and a half) seems to show either that it was quickly overtaken by events or that it was based on a mistake diagnosis of the problems of intra-regional trade (Personal communication from the Community experts who took part in the programme).

69. Preamble to the Cooperation Agreement, paragraph 7.

70. IRELA, *América Latina y Europa hacia el año 2000* (Madrid: IRELA, 1992b) p. 31; Lester Thurow, *La Guerra del Siglo XXI* (Buenos Aires: Vergara, 1992) p. 35.

71. Xavier Gorostiaga, *Comenzó el siglo XXI. El norte contra el sur, el capital contra el trabajo*, La Habana, CRIES/Congreso Latinoamericano de Sociología, May 1991.

72. CEPAL, *Centroamérica: el camino de los noventa* (Santiago de Chile: CEPAL, 1990); Edelberto Torres-Rivas (ed.), *América Central hacia el 2000: Desafíos y opciones* (Caracas: Nueva Sociedad, 1989).

73. Sistema Económico Latinoamericano (SELA), *La Iniciativa Bush para las Américas: Análisis preliminar de la Secretaría permanente del SELA* (Caracas: SELA, September 1990) mimeo; CEPAL, 'Centroamérica y la Iniciativa de las Américas', *Polémica* 13, San José, Jan-Apr 1991, pp. 9-16; 'Declaración de Panamá' (Thirteenth Summit of Central American Presidents), point 48, *La Nación*, Panama, 14 Dec 1992, p. 16A.

74. For a survey of these problems, see 'Into the Void. A Survey of the European Community', *The Economist*, 11 July 1992, p. 14.

75. Juan Antonio Payno, *El momento histórico de la Comunidad Europea ante la cooperación con América Latina* (Madrid: Consejo Superior de Investigaciones Científicas (CSIC), November 1991) pp. 16ff.

76. IRELA (1992b), p. 35.

77. Between 1989 and 1991, for example, the European Bank for Reconstruction and Development (EBRD) was established, as was the 'Faro' programme for emergency aid to the former Soviet Union, and association agreements were made with the countries most advanced in their reforms, Hungary, Czechoslovakia and Poland; these were regarded as transitional agreements leading to the incorporation of these countries into the Community. The Community is also coordinating support for the macro-economic reforms in the East in the name of the 24 countries of the OECD, and has created a new administrative unit in the Commission for this purpose.

78. Commission of the European Communities, *Ten-Year Report: 13 Years of Development Cooperation with the Developing Countries of Latin America and Asia* (Brussels: Commission of the EC, SEC (89) 713 final, 10 May 1989); see also José Angel Sotillo, 'Comunidad Europea - América Latina: límites y posibilidades de las relaciones eurolatinoamericanas', *Sistema* 107 (March 1992), p. 28.

79. See Council Regulation (CEE) 442/81, of 17 February 1981, on financial and technical aid to the developing countries of Asia and Latin America; see Mandy MacDonald, *Foreign Policy and Development: the European Community and Latin America* (Brussels: International Workers' Aid, March 1992) p. 27; Bru and Palomares (1993) p. 160.

80. See Commission of the European Communities, *The Role of the Commission in Supporting Structural Adjustment in ACP States*, Luxembourg, 1992, p. 11, and the Council resolution of 31 May 1988 on the economic situation and adjustment process in Sub-Saharan Africa.

81. Commission of the European Communities, *Guidelines for Cooperation with the Developing Countries in Latin America and Asia* (Brussels: Commission of the European Communities COM (90) 176 final, 11 June 1990); *General Guidelines for Financial and Technical Cooperation with the Developing Countries in Latin America and Asia during the Period 1991-95* (Brussels: Commission of the European Communities COM (90), 654 final, 17 December 1990).

82. MacDonald (1992) p. 33

83. The link between development cooperation and human rights in the Community's cooperation policy was defined more precisely between 1990 and 1991. See the following documents: *Communication from the Commission to the Council on human rights, democracy and development cooperation policy* (SEC [91] 61 final) of 16 May 1991; the *European Parliament Resolution on human rights and development policy* of 22 November 1991 (OJ C 326 of 16 December 1991, p. 259); and the resolutions of the European Council on human rights, democracy and development of 29 June 1991.

84. See Council Regulation (CEE) 443/92 of 25 February 1992, which replaced the old Regulation (CEE) 442/81 of 17 February 1981, on financial and technical aid to the developing countries of Asia and Latin America.

85. Council Regulation (CEE) 319/92, OJ L35 of 12 February 1992.

86. José Angel Sotillo, 'Unión Europea y Tercer Mundo: un paso adelante', *Solidaridad Internacional* 8, Sept-Dec 1992, p. 12.

87. *Treaty on European Union*, Title II (Modifications to the EEC Treaty), Chapter XVII, new articles 130u-130y. 'Coherence' between the CFSP and Community policies is relevant, for example, to the issue of sanctions against third countries.

88. The Community budget for the period 1992-97 (the so-called 'Delors II package') provides for the near-doubling of the funds allocated for foreign policy.

89. Manuel Marín, 'Europa y la cooperación al desarrollo', *Síntesis* 114-15 (June 1993), pp. 37-47; Commission of the European Communities, *Development Cooperation Policy in the Run-Up to 2000: The Consequences of the Maastricht Treaty* (Communication from the Commission to the European Council and Parliament), Brussels: Commission of the EC, SEC (92) 915 final, pp. 56, 58, 76.

90. IRELA (1992b), p. 3.

91. Pierre-Henri Laurent, 'En el congelador: las relaciones entre la Comunidad Europea y América Latina', *Roy* (1992), p. 162.

92. Mariano Aguirre, 'Atlanticism and Interventionism: The European Defense Debate', *TNIdeas* 5 (Amsterdam: TNI, May 1992), p. 5.

93. The USAID document, *Economic Assistance strategy for Central America 1991 to 1995*, Washington: AID, January 1991, reveals a notable overlap with the current European view of development strategy for the countries of the 'South', and specifically on the problems and prospects for Central America.

94. Gabriel Aguilera, 'La reconversión militar en Centroamérica', *África-América Latina Cuadernos* 9, June-Sept 1992, pp. 79-89.

95. Bodemer 1992, p. 115. See also Wolf Grabendorff, 'La integración Europea: consecuencias para América Latina', *Síntesis*, N° 18, sept-dec 1992, pp. 31 and 44.

96. This situation is well illustrated by the tone and content of the *Guayaquil*



*Declaration* signed by the banana-producing countries, the *Panama Declaration* (from the Twelfth Summit of Central American presidents), point 48, *La Nación*, Panama, 14 December 1992, p. 16A, and the negotiations among coffee-producing countries in the second half of 1993 designed to reduce production and secure an increase in prices. See 'Grounds Control: The whiff of a coffee cartel?', *The Economist* July 17 1993, p. 65 and 'Commodity Price Index', *The Economist* August 28 1993, p. 95.

97. Arenal (1993a) p. 250.

98. Ashoff (1989) p. 73.

99. MacDonald (1992) p. 54.

100. Article 2 of the Council Regulation (EEC) 443/92, on the Financial and Technical Assistance and the cooperation with Asian and Latinamerican countries, establishes that "In case of the occurrence of fundamental and persistent violations of human rights and of democratic principles, the Community can adjust and even suspend cooperation with the States in question, limiting its support only to actions directly benefitting destitute groups of the population." (unofficial translation).

101. This aspect is already reflected in the Regulation that governs the EC-IIP initiative, at the suggestion of the European Parliament.

102. MacDonald (1992) pp. 85, 87.

103. See UNDP, *Development without Poverty* (Bogotá: PNUD, 1990) chapter V; and Helan Jaworski, 'Pobreza, economía popular y cooperación al desarrollo en el futuro de las relaciones entre Europa y América Latina', *Síntesis* N° 18, sept-dec. 1992, pp. 63-88.

104. Rafael Menjivar and Juan Diego Tresos, *La pobreza en América Central* (San José: FLACSO, 1992) 2nd ed., p. 97ff.

105. 'Panama Declaration' (Thirteenth Summit of Central American Presidents), point 6, *La Nación*, Panama, 14 December 1992, p. 16A.

106. On the environmental consequences of adjustment, not always visible at first sight, see Nicolo Giglio, 'Medio ambiente y recursos naturales en el desarrollo latinoamericano', Osvaldo Sunkel (ed.), *El desarrollo desde dentro: Un enfoque neoestructuralista para la América Latina* (Mexico: Fondo de Cultura Económica, 1991) pp. 263, 274; UCA, '¿Los planes de ajuste desajustan la ecología?', *Envío* 114 (April 1991); Carlos A. Pinillos, Centroamérica: crisis y medio ambiente', Marta Casaus and Rolando Castillo (eds.), *Centroamérica: Balance de la década de los ochenta, una perspectiva regional* (Madrid: CEDEAL, 1993) p. 505.

107. See the interesting comments of Mandy MacDonald (1992) p. 95; 1991, p. 19; and her 'El Este, El Oeste y El Sur: acontecimientos recientes en Europa y sus repercusiones en Centroamérica', *Cooperación externa y desarrollo en Centroamérica* (San José: Concertación, 1990) p. 51.

# Notes Appendix

108. The 'banana war' between the European Community and the Central American producers is merely part of a wider trade conflict between multinational companies, between producer countries and companies, and between producer and consumer countries. This appendix will deal only with the conflict between the European Community and Central America. Other aspects are dealt with in Anthony P. Maingot, 'La guerra del banano en el Caribe: anticipando cambios globales', *Foro Internacional XXXII*, 1 (July-Sept 1991), pp. 65-83; Eduardo A. Santos, *La internacionalización de la producción agroalimentaria y el comercio agrícola mundial: Implicancias para el desarrollo agrícola rural de América Latina y el Caribe* (Buenos Aires: GEL, 1993).

109. According to statistics from the European Parliament, the price ratio for bananas from the different sources is as follows: Madeira 64, Canary Islands 53, ACP 46-26, Costa Rica 23, Ecuador 15.

110. Lomé Convention, Protocol IV.

111. Alfonso Mattera, *El mercado Único Europeo: Sus reglas, su funcionamiento* (Madrid: Civitas, 1991) p. 637.

112. Celso Porras, 'Mercado bananero mundial: comportamiento reciente y perspectivas', *Cambio y continuidad en la economía bananera* (San José: CEDAL/FLACSO, 1988) pp. 19 and 29; Alfredo Vadivieso Gangotena, 'La guerra del plátano. Enfrentamiento entre el norte industrial y el sur agrícola', *El País*, Madrid, 15/3/1993, p. 46.

113. Manuel Delgado and others, '¿A salvar la industria bananera?', *Panorama Internacional*, vol. 3, No 129, 8 June 1992, p. 27, using figures from the Inter-American Institute of Agricultural Sciences (IICA) and the Union of Banana Producing and Exporting Countries (UPEB).

114. IICA/FLACSO, *Centroamérica en cifras* (San José: IICA/FLACSO, 1991) p. 63.

115. Delgado (1992) p. 28.

116. By as much as 32.4 per cent in the period 1981-91. See CEPAL, *Estudio económico de América Latina y el Caribe 1991* (Santiago de Chile: CEPAL, 1992) vol. 1, p. 152.

117. 'Juicio al banano. El fruto de la contaminación', *Aportes*, March 1992, p. 3; 'Foro Regional demanda alto a la expansión bananera' *Esta Semana* 22/6/1992, p. 7.

118. On 25 November 1992 the Commission submitted to the Council a draft Regulation under which a diversification and development programme was to be established for specified Latin American banana-producing countries (COM [92] 496 final), conditional on the common organisation of the banana market. The programme, proposed to run for five years, envisaged a total of ECU 60 million (\$74 million) to support projects in the five Central American states, plus Panama, Colombia, Venezuela, Ecuador, Peru and Bolivia.

119. *La Nación*, Panama, 27 November 1992, pp. 1, 2A.

120. 'El comercio del plátano envenena las relaciones entre la CE y Latinoamérica', *El País*, 10 February 1993, p. 34.

121. Council Regulation (CEE) 404/93 of 13 February 1993, establishing the common organisation of markets in the banana sector (OJ L47 of 25/2/1993, p. 1).

122. Valdivieso (1992).

123. Ordonnance de la Cour, 29 juin 1993, *Bananes; Organisation commune des marchés; Échanges avec les pays tiers; Recours en annulation; Mesures provisoires*.

124. These companies included Dole, Chiquita, Bananic, Comaco, Simba, Spers NV, August Lehmann, Comafrio and Bruignom & Visser. See Ordonnance de la Cour, 6 juillet 1993.

125. Valdivieso (1992); Santos (1992) pp. 71ff.

## SAN JOSE X: AN OPPORTUNITY FOR ALL OF US

*Concertación, Asocode and CIFCA (\*)*

**To the Foreign Ministers of the Governments of Central America and the European Union (EU):**

Enclosed you will find a proposal for the San José X meeting to be held in Greece in March 1994. This proposal reflects the accumulated experiences of Central American and European NGOs. We welcome the Xth Anniversary of the San José forum, the importance of which extends beyond maintaining Central America on the agenda of the European countries. Likewise, the decision of the governments to maintain this forum at a ministerial level, giving emphasis to the importance of the new treaty of cooperation that came into effect in January 1994, deserves mention.

### *Esteemed Ministers:*

This document sets out the position taken by sectors of Central American civil society, and of CIFCA, the network of European NGOs, with regard to development priorities in Central America. We propose to initiate a more continuous dialogue within the framework of the San José process in order that our concerns, criteria, and proposals may be recognised and taken up. With regard to the San José X meeting, we address the following themes:

- Trade and small-scale production
- Environment and development
- Structural adjustment and poverty
- Democratisation and Human Rights
- Towards a Consultative Forum

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(\*) Joint proposal from Concertación (a network of Central American NGOs), Asocode and CIFCA (an umbrella of European NGOs) to the Foreign Ministers of Central America and the European Union (EU) at the 10th San José Conference in Greece (March 1994).